

diversity and the economy

By Tony Pilch

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Preface

Wilf Stevenson, Director, Smith Institute

The Smith Institute is an independent think-tank, which has been set up to undertake research and education in issues that flow from the changing relationship between social values and economic imperatives. In recent years the institute has centred its work on the policy implications arising from the interactions of equality, enterprise and equity.

The Smith Institute has worked closely with the RDAs since they were established in 1998, holding national and regional events that have tracked the development of RDAs as well as helping to share best practice. We have also published a series of key pamphlets looking at the issues that affect the RDAs. As part of this agenda and because of the growing economic importance of diversity issues, the Smith Institute, in association with Yorkshire Forward, is delighted to be publishing *Diversity and the economy*. This pamphlet describes the economic importance of diversity and offers a series of recommendations to encourage the public and private sector to work together to ensure everyone has the opportunity, not just to access the labour market, but to help drive productivity by having higher levels of skills and being more innovative and entrepreneurial in the workplace. To encourage more employers to turn their equal opportunities policies into a reality, a multifaceted approach is required, involving public bodies becoming regional exemplars in taking measures to promote diversity within their own organisations; the establishment of more effective advice and assistance for employers; measures to encourage employers themselves to lead the way in raising awareness about the business and economic benefits of diversity; and an enhanced procurement strategy, using the purchasing power of public bodies to promote effective practice among employers. Just as private employers have a responsibility to do more to recruit from diverse pools, the public sector has a responsibility to develop effective services to help provide individuals with the skills and competencies employers need to succeed, involving general measures that apply to the full range of education, skills and employment.

The Smith Institute gratefully acknowledges the support of Yorkshire Forward towards this publication.

Foreword

Meg Munn, MP for Sheffield Heeley and Undersecretary of State for Women and Equality

In order to succeed in an ever more competitive and global economy we must use all the talents available – equality of opportunity and economic success really do go hand-in-hand. This important and timely report argues that future success for the Yorkshire & Humber region depends upon us using to the full the rich diversity of our local people.

As member of parliament for a Yorkshire constituency, and minister for women and equality, I am delighted that Yorkshire Forward is championing the inclusion of all our population as we continue to create a successful regional economy. The role that Yorkshire Forward plays is crucial to our economic well-being – its goal is to transform our region through sustainable economic development.

Diversity in the workforce appears to be a recent phenomenon. In fact our workforce has always been diverse; it is just that now some of the differences are more apparent. The growing number of women in the workforce over the past few years is evident, and in parts of the region in particular, the growth of the ethnic minority working population is significant. What is less readily obvious to most of us is the increasing number of people with disabilities who want to work.

In addition to these changes, the age profile of the region's workforce is beginning to shift substantially. One quote from the report highlights this:

In two years' time, the number of people over state pension age will overtake the number of children, across the country. In 10 years, only one in three of the British workforce will be a white man under the age of 45. In 20 years, more than half the population will be over 50.

These demographic changes will happen whether we like it or not. Trying to ignore them will only ensure that our international competitors will succeed and we will fail. Understanding the implications of these changes to the workforce in the region gives us a chance to plan just how we adapt, to ensure we continue to enjoy a good standard of living. Only by taking a positive approach and using the opportunities these changes provide can we look confidently to the future.

An increasingly important role for women

In the area of economic activity, women have just as much to offer as men. Women are playing an increasingly important part in our economy – creating wealth and jobs. It is estimated that by 2010 there will be 2 million more jobs in the national economy, 80% of which will be filled by women. Ensuring economic gender equality is not just about what is right for women; it is in all our interests that we do so.

Today more young women than young men gain degrees. However, that level of success is not carried through into work. Instead, many women work in lower-skilled, lower-paid jobs. Recent research by the Equal Opportunities Commission and Sheffield Hallam University found that more than 50% of women in part-time jobs were working below their skill level – talent squandered that could be increasing productivity and wealth.

There is a clear association between sectors experiencing skills shortages and sectors in which women are underrepresented. An example is information technology, which accounts for almost 5% of the UK economy and will continue to increase in importance. In the next decade, employment in IT is set to grow at five to eight times the UK average. But the sector is at a disadvantage when only 20% of its workforce are women, compared with just under half of the UK's national workforce.

Around 70% of women who have science, engineering and technology qualifications are not working in sectors that use these skills. This is a significant loss to the economy; the country has paid for training that is not being used, businesses lose out by not having qualified women working for them, and many of the women lose out by not having a well-paid, interesting career in the sector.

To remedy this situation, the government has launched the UK Resource Centre for Women in Science, Engineering & Technology. Based in Bradford, the centre works closely with business to help encourage the participation of more women in the science, engineering and technology sectors.

The report outlines some of the barriers facing women, and concludes that business needs both to attract women into these areas of work, and then to retain them. The alarming statistics for these business sectors call for concerted efforts to tackle the masculine culture that drives women away and wastes their talent. The success of efforts to change this situation comes only where commitment permeates from the very top of an organisation downwards.

Ethnic minorities

Figures from the Ethnic Minority Task Force show that while the overall employment rate is 74.5%, for ethnic minorities it is only 59%. Over the next 10 years, ethnic minorities will account for more than half the growth in the working-age population. It is vital that we ensure that the skills and talents of all those from an ethnic minority background in our region are used. The report highlights the fact that not to do so – particularly in an area like Bradford, where over 20% of the population is from an ethnic minority – would be extremely foolish.

As, on average, people from ethnic minority groups have fewer skills and qualifications than the population as a whole, a concerted effort is needed to ensure that they can take a full part in future prosperity. More than 40% of those of Asian or Asian British ethnicity hold only low-level qualifications or none at all, compared with around 30% of the white population.

Some 50% of women from an ethnic minority are in employment, compared with 71% of white women. But these rates can disguise larger differences for individual ethnic minority groups; less than 20% of women of Bangladeshi origin are in employment, compared with around 60% of those of Indian origin. Among women of black African descent, 47% are in employment, compared with 64% of women of black Caribbean descent.

The need to overcome barriers to employment is highlighted in the report, which suggests measures such as providing particular training for women from ethnic minority backgrounds. Around 40% of working-age women of Pakistani or Bangladeshi origin have no qualifications at all, compared with 17% of white women. Among the population of those with Bangladeshi backgrounds, 75% of women over 25 do not speak fluent English – a huge barrier to their participation in both education and work.

People with disabilities

Increasing the number of people with disabilities in employment is important, not just to the individuals who are out of work and want to work, but also to our economic future. In Britain, out of the total number of people of working age who are out of work, 40% have disabilities. Only 51% of people with disabilities are in work, falling to 21% of people with a mental health condition and 17% of people with a learning disability.

For people with disabilities who have a higher-education qualification, the “lacking but wanting work” rate of 14% is actually higher than the “lacking but wanting work” rate of

people without disabilities who have no qualifications at all. Almost a third of working-age adults with disabilities live in income poverty. This is higher than a decade ago, double the rate for working-age adults without disabilities and higher than the rates for either pensioners or children.

For most people, including people with disabilities, employment continues to provide the best escape route from poverty and exclusion. It provides not only greater financial security, but also independence, status and social interaction.

Managers and directors

Diversity at higher management and board level has got better over recent years, but not by much. Getting more women and people from ethnic minorities on to boards of directors is not just about furthering their careers, though there is nothing wrong with that! A strong relationship is evident between companies having a diverse membership of directors and market capitalisation – 18 of the UK's top 20 listed companies by market capitalisation have women directors, but only eight of the bottom 20 firms do so.

A look at the female FTSE 100 shows this on a national level. In 2004, 17% of new FTSE 100 board appointments were women – up from 13% in 2003 and 10.5% in 2002. But in the UK, only 9.7% of the top UK companies' board members are women, and only 4.1% of those are in executive roles. Only one woman made it to chief executive officer level, and only one woman chairs a FTSE 100 board.

Figures from Cranfield School of Management show that while ethnic minorities make up 8% of the population, they provide only 2.5% of the total membership of boards of FTSE 100 companies.

More diversity would mean that companies better represent the society in which they operate, which should lead to improved competitiveness and productivity. Diversity ensures better sharing of a broader and different range of experiences and opinions.

Older people have much to offer

Age is also a significant issue – older people find it harder to gain employment. As stated in the earlier quote from this report, by the late 2020s around half of the adult population in the UK will be over 50.

Age discrimination carries a heavy price-tag. The annual cost to the economy is calculated

at around £36 billion – £31 billion in lost production, and £5 billion to government through the cost of paying benefits to those who might be working – plus the loss in tax revenue from those who would be working but for age barriers.

Assumptions are often made about older people, such as the time someone will work for before they retire. In fact, newly recruited older workers may well stay considerably longer than a younger worker looking to move jobs in developing a career. They often have a range of skills and experiences that can be used if only companies and services identify them. B&Q has started specifically to recruit older staff members, recognising that they often have hands-on knowledge about the products that customers want to buy.

Pushing the agenda

Should we be pushing this agenda further? Yes, we should, and yes, we will. It really does not matter in the short term whether businesses adopt positive policies through belief, or because skills and/or labour shortages force them to investigate areas they would not have before. What matters is that they do. What matters is that by so doing they move towards a more diverse workforce.

Public perception plays an ever increasing role in the success of an organisation. Positive press coverage, being listed in the *Sunday Times* 100 Best Companies – something that Yorkshire Forward has achieved – or winning an award helps the image of a company. Having a diverse workforce means that companies are more likely to provide the products and services wanted by an equally diverse customer base.

Research suggests that organisations that actively promote gender equality benefit from a more motivated and productive workforce. This in turn leads to a better customer service and happier customers; happier customers are more likely to be return customers.

This report makes a strong case for the public and private sector to work together to ensure that everyone in the region has the opportunity to obtain the skills needed to be productive at work. People in this region are known for our pride in where we live. The challenge for the future is to ensure that Yorkshire & Humber includes all of our diverse population in taking on the skilled jobs of the future – thus ensuring that we all benefit from the vibrant and prosperous economy we can build.

Part 1

Diversity and the economy

Diversity and the economy

Since 2000, the Yorkshire & Humber regional economy has seen rapid improvement, with strong economic growth, low unemployment, more businesses, more innovation and a reversal of urban decline. Yorkshire Forward, the regional development agency, has set ambitious targets to go even further in the future.

These are enormous challenges for the region. To meet them will require the region to draw on and maximise the talents of as wide a pool of people as possible, regardless of age, sex, disability or race. In the context of the economic challenges facing the region and of rapid demographic change, maximising the contribution of diverse groups is not a choice for the region, it is a necessity; for it is these diverse groups who look set to account for a growing share of the regional working-age population.

Evidence shows that the nature of the workforce is changing significantly, both in Yorkshire & Humber and in the UK as a whole. In two years' time, the number of people over state pension age will overtake the number of children, across the country. In 10 years, only one in three of the British workforce will be a white man under the age of 45. In 20 years, more than half the population will be over 50.

Alongside the prospect of potential labour shortages in the future, regional employers are increasingly aware of skills shortages today. The Learning & Skills Council has shown that a fifth of job vacancies stay unfilled because there is a shortage of skilled applicants. Recruitment problems for skills-shortage vacancies are disproportionately high in skilled trades, personal services, transport and machine operatives and among associate professionals. Worse still, 11% of the national workforce are considered by their bosses not to be up to their jobs.

Potential future labour and skills shortages suggest that the Yorkshire & Humber economy will need to do more to tap into the talents of all of its people, including groups traditionally marginalised from the mainstream economy. This is consistent with trends predicting that there will be more women of working age – now almost half of the workforce and set to rise further. There will be more older workers, more people from different ethnic and faith groups of working age and more people of working age with disabilities.

These groups are among the fastest growing in the region. Yet, to date, their potential has been largely untapped. The population of Yorkshire & Humber as a region is extremely

diverse, with a significant and growing number of people from ethnic minority groups and those with disabilities.

The most striking symbol of regional demographic change is the growth in the local working-age population of Pakistani origin – a percentage increase of 25%, compared with a 3.69% increase in the white British population of working age over the next five years. This presents a real opportunity for the region, not just to meet labour and skills shortages, but because when the potential of these groups is utilised, there are real and significant benefits for individuals and businesses.

Regional businesses are increasingly aware of these benefits and are beginning to change their behaviour accordingly, by investing in recruiting diverse groups of people. This changing business behaviour, in seeing the need to promote diversity, is taking place because of major changes in:

- product markets – the needs of customers and the activities of competitors;
- labour markets – the availability, quality and values of existing and future employees;
- capital markets – the views of investors about the drivers of acceptable investment returns;
- government influence – the impact of regulation, legislation and political pressure; and
- wider social values – the expectations of citizens as to how companies should behave.

The business case for diversity

Recognising these trends and acting on them by investing in diversity has led to an increase in the number of businesses and organisations pointing to the economic benefits of diversity. CBI director-general Sir Digby Jones has said that diversity is both "morally right and commercially sensible". The Department of Trade & Industry has concluded "that there are clearly competitive benefits to be gained by employers who take every step to ensure they recruit from the widest possible talent pool" and that "businesses that take a positive approach to diversity generally are also likely to do better than their competitors".¹

In a study into the life chances of people with disabilities, the Prime Minister's Strategy Unit found that there was a "positive" business case for employing people with disabilities:

¹ Department of Trade & Industry *Business Case for Diversity & Equality* (2003).

- Employees with disabilities can help businesses diversify, identify new markets and attract customers with disabilities.
- People with disabilities have an estimated annual spending power of £45 billion to £50 billion.
- Retaining employees with disabilities can result in long-run cost savings – retirement on medical grounds costs an average of £40,000.
- Keeping at work an employee who becomes ill or disabled generally costs less than having to recruit and train someone new – the Department of Trade & Industry estimates that it costs £4,000 to recruit a new worker.

The European Commission has found that “companies that implement workforce diversity policies identify important benefits that strengthen long-term competitiveness and, in certain instances, also produce short- and medium-term improvements in performance.”² In the USA, a survey of Fortune 100 human resource executives found that increasing diversity was desirable for the following five reasons:

- better use of talent;
- increased marketplace understanding;
- enhanced breadth of understanding in leadership positions;
- enhanced creativity; and
- increased quality of team problem solving.

A survey conducted by the American Management Association of more than 1,000 of its members found that heterogeneity – a mixture of genders, ethnic backgrounds and ages in senior management teams – consistently correlated with superior corporate performance in such areas as annual sales, growth revenues, market share, shareholder value, net operating profit, worker productivity and total assets.³

A diverse workforce may also help businesses in Yorkshire & Humber that have a growing proportion of revenues coming from foreign sources to reach new markets abroad. Employees with knowledge of other cultures become essential for firms that operate in a global context. Further, as ethnic minority populations constitute an increasing part of local markets, companies need the insight and cultural sensitivity that ethnic minorities can bring to marketing and other efforts.

² Ibid.

³ American Management Association *Senior Management Teams: Profiles & Performance* (American Management Association, 1998).

But just as there are national and regional economic benefits to be gained from promoting diversity, the gains for individuals are significant too. At the most basic level it is clear that those individuals who may previously have been economically inactive, perhaps for reasons of discrimination, stand to increase their opportunities and social mobility by being able to use their talents and become economically active. This benefits the economy.

Evidence shows that if the weekly earnings of men of Pakistani or Bangladeshi descent were to match those of white men with similar qualifications and backgrounds, the former would earn £129 a week more than they do at present. Annualised, this represents a shortfall of nearly £7,000 in earnings per worker. This is a lost opportunity for the individual, weakens demand for the goods and services of local companies and has a significant impact on economic growth.⁴

But despite the growing body of evidence from the widest range of sources that diversity can lead to economic improvements, attaching a clear, robust, evidence-based monetary value to increased diversity is difficult. Efforts to do so, according to the European Commission,⁵ remain "embryonic and fragmented". There are, according to the commission, a number of reasons for this:

- Quantification of costs and benefits, in order to produce a traditional analysis of cost-effectiveness, is difficult. Many of the benefits are either highly "context-specific" or difficult to measure.
- Measurement of "diversity" at a business level is more difficult than that for other types of intangible asset. Diversity is an outcome of a cultural change process and not an input to other processes.
- Investment in diversity policies, rather than compliance with legislation, is a relatively limited activity among EU companies.
- As with all forms of investment in human capital, there are major gaps in knowledge because of weaknesses in accounting disclosure requirements.
- Another important issue is the difficulty of linking together business benefits and investments in diversity. Even for short- and medium-term improvements in cash flows, it is likely that diversity policies are only part of a combination of factors that have contributed to improvements in performance.

4 Prime Minister's Strategy Unit *Ethnic Minorities & the Labour Market* (2003).

5 European Commission *The Costs & Benefits of Diversity* (2003).

But the absence of a definitive figure that gives the economic value of diversity is not evidence that there is no business case for diversity. On the contrary, a powerful case for investment in workforce diversity policies does exist, based not just on the evidence presented so far in this paper, but also on a wide range of evidence from "testimonials" (publicly expressed views of major opinion leaders within the business community), case studies, surveys of companies and empirical research. In short, there are three elements to the business case for diversity:

Economic

- If the UK is to continue to grow, there is a need to access new sources of labour – groups that are at present inactive will be important for this.
- Individual companies benefit from the skills and capabilities of people with disabilities and ethnic minority groups.
- A diverse workforce can deliver effective products and services to a diverse customer base.

Ethical

Many companies believe recruiting people with disabilities and those from ethnic minorities is "the right thing to do", and may include a commitment to diversity in their corporate social responsibility policy.

Legal

Diversity policies ensure compliance with legislation on race, disability and sex discrimination.

But it is important to understand that the benefits of greater diversity go beyond economics: diversity can help foster social inclusion and break down barriers between communities. Ethnic minority groups and people with disabilities face considerable unemployment risks and earnings gaps, which inevitably lead to major material consequences and hinder their economic advancement.

Limits on economic opportunity are closely bound up with social exclusion. Differentials in economic achievements can also affect community cohesion, particularly in terms of different ethnic groups. Especially strong or especially poor achievements of certain groups may lead to cultural and ethnic stereotypes within and beyond the workplace. The real danger in these negative stereotypes lies in younger people's aspirations being suppressed as a result of others' low expectations of their potential. If transferred to peers

and between generations, this could lead to cycles of discouragement and further social exclusion.

The predominant focus of this paper is on ethnic minorities, people with disabilities and women in the Yorkshire & Humber region. The population of working age of all of these groups is growing, and as such ethnic minorities, people with disabilities and women will become an even more important feature of the regional economy.

The question is how the Yorkshire & Humber region can maximise the potential economic benefits of diversity, primarily through improving the labour market attainments of ethnic minority groups, people with disabilities and women. While there are of course many aspects to maximising the economic benefits of diversity, one of the most important is the extent to which people are able to participate in the labour market. As well as being the principal source of income for most adults, work often provides a wide range of social and health benefits, and opens doors to a range of other economic and social opportunities.

Definitions

Diversity

Diversity is generally defined as acknowledging, understanding, accepting, valuing and celebrating differences among people with respect to age, class, ethnicity, gender, physical and mental ability, race, sexual orientation and spiritual practice.⁶

Ethnic minorities

The term "ethnic minority" is used to denote people of south Asian, black African and black Caribbean origin. Its use as a broad umbrella label is deliberate, to signify reference to a wide variety of ethnic minority groups. Where greater precision is required with reference to specific component groups within the minority population, allowances and departures from this term are made in the text. There is, inevitably, considerable debate and disagreement on the question of race, ethnicity and nomenclature.

Disability

At present, there is no single, universally accepted definition of disability. It is defined for this project as the disadvantage experienced by an individual as a result of *barriers*

⁶ Esty, Katharine, Griffin, Richard and Schorr-Hirsh, Marcie *Workplace Diversity: A Manager's Guide to Solving Problems & Turning Diversity into a Competitive Advantage* (Adams Media Corporation, 1995).

(attitudinal, physical, etc) that affect people with *impairments* and/or *ill health*. Disability is distinct both from *impairment* – a long-term characteristic of an individual that affects functioning and/or appearance and may give rise to pain, fatigue, communication difficulties, etc – and from *ill health* – the short-term or long-term effect of disease or sickness.

The phrase "people with disabilities" is used to include anybody who is disadvantaged by the way in which the wider environment interacts with their impairment or ill health. In practice, "people with disabilities" are defined in different ways to include or exclude different groups. There is no single agreed definition.

It is clear that this is not a precisely defined group of people; there is considerable heterogeneity within the population of people with disabilities; and the population of those with disabilities is not the same as those claiming disability-related benefits. Therefore, generalisations about people with disabilities are unhelpful.

For example, in considering employment, the primary focus here is on people with disabilities who are out of work. Many of these – but not all – are claiming incapacity-related benefits. But many people claiming incapacity-related benefits would not consider themselves to be disabled. Definitions of people with disabilities typically cover people with a wide range of impairments and ill health – one reason the population of people with disabilities is so diverse. The population of those with disabilities can include people with long-term progressive conditions such as multiple sclerosis, HIV/AIDS or cancer, from the point at which adverse effects emerge, as well as people with impairments as wide-ranging as back pain, depression and heart conditions.

In practice, the term "disability" is used by different people in different contexts in many different ways – to exclude or include different groups of people. Definitions used generally include both those whose impairments are related to poor health and those who have physical and/or sensory impairments or learning disabilities but who are healthy.

Part 2

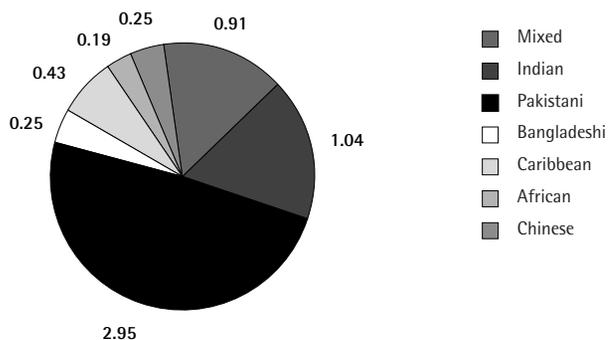
A diverse regional population

A diverse regional population

The latest data shows that in the broadest terms, Yorkshire & Humber is a diverse region, with a more diverse population profile than the English average. As the figures below demonstrate, a higher proportion of its population comes from an ethnic minority background than the average. It also has a higher number of people with disabilities than the English average.

Yorkshire's ethnic profile contrasts significantly with that of the UK. While ethnic minority groups now account for 7.9% of the UK population, they account for 8.3% of the total Yorkshire & Humber population (413,000 people). Moreover, while the largest single minority group in the UK is people of Indian origin, in Yorkshire the largest single minority group is people of Pakistani origin, accounting for 2.95% of the regional population – more than twice the national average – and amounting to approximately 87,000 people in the region. People of Indian origin account for 1.04% of the regional population, those of mixed ethnic background 0.91%, and those of black Caribbean descent 0.43%, while those of Bangladeshi origin account for 0.25%.

Figure 1: Regional ethnic minority population (%)

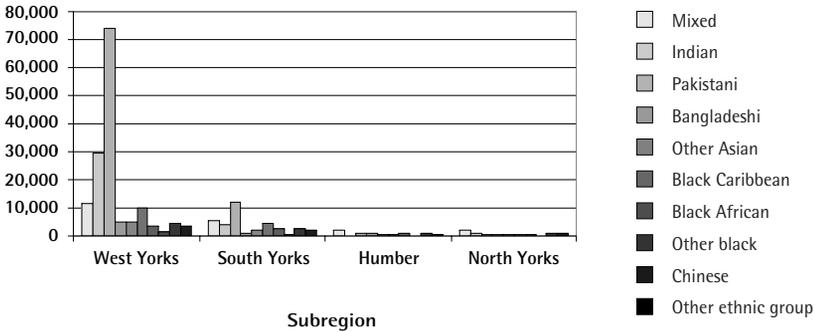


Source: ONS

Ethnic minorities are found across the region, although in broad terms ethnic minority groups are concentrated in West Yorkshire. Perhaps the most significant story, however, is the predominance of those of Pakistani descent among the West Yorkshire ethnic minority population. Almost half West Yorkshire's ethnic minority population are of

Pakistani origin. The heavy concentration of ethnic minorities in the region's west contrasts with North Yorkshire, where 98.6% of the population are white.

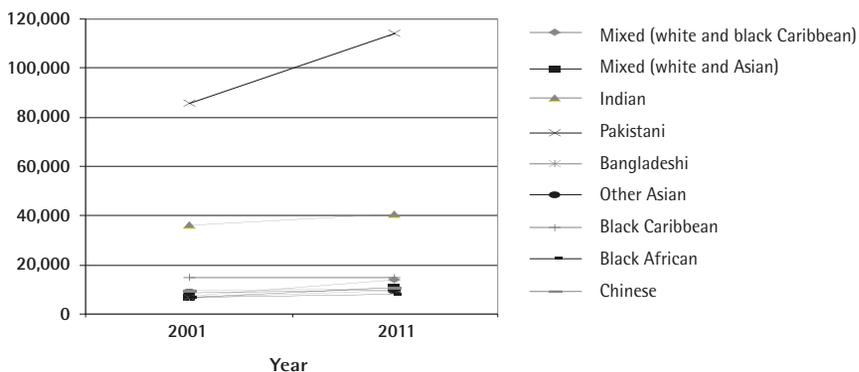
Figure 2: Subregional working-age population, by ethnic group



Source: ONS

Looking more closely at the local level, it can be seen that those with Pakistani backgrounds are clustered in the Bradford area (where 21.7% of the total population are of ethnic minority background), with a heavy concentration in wards such as Toller, University, Little Horton and Bradford Moor.

Because the immigration of ethnic minority groups is a relatively recent phenomenon, the age structure of these groups is significantly different from that of the population as a whole, which will drive further change in the region's ethnic population structure. While the total regional population of working age is set to increase by 161,442 between 2001 and 2011, just under a third of this (55, 024) will be accounted for by the growth of the ethnic minority population. Perhaps most striking, in terms of total numbers, is the growth of the working-age population of those from Pakistani backgrounds from 85,000 to 114,000 in the space of 10 years, a percentage increase of 25% (compared with a 3.69% increase in the white British population of working age) to 2011. In short, this means that just under one in five of the working-age population in the Yorkshire & Humber region will be of Pakistani origin in six years' time.

Figure 3: Regional ethnic minority population change

Source: ONS

Given the settlement patterns of the region's ethnic minority communities, it is clear that West Yorkshire will see a rise in the proportion of its working-age population from ethnic minorities that is higher than the regional average. Indeed, while the total working-age population of West Yorkshire is set to rise by approximately 101,000 up to 2011, the percentage of this growth accounted for by ethnic minority population growth is as high as 43%. That is to say that four out of every 10 potential new workers in West Yorkshire in 2011 will have an ethnic minority background.

Again, this growth is explained in large part by the projected rise in the number of working-age people of Pakistani origin in the region. This is projected to account for over a quarter of the growth in West Yorkshire's working-age population.

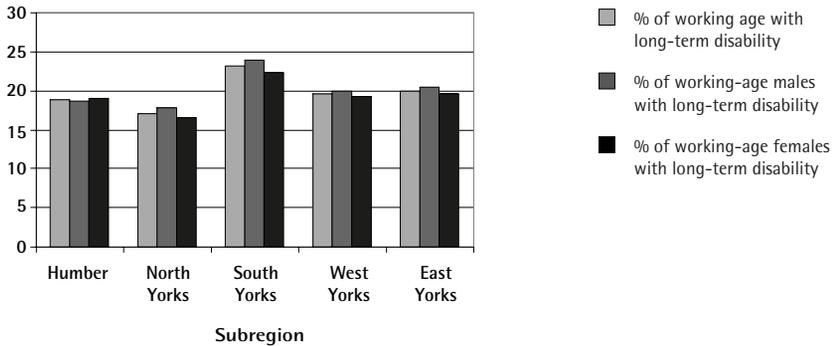
The South Yorkshire economy is also expected to undergo rapid change. Projections show a rise of 18,000 in its working-age population to 2011, with over half accounted for by ethnic minority communities. This demonstrates not just that the Yorkshire regional economy will undergo significant change between now and 2011, but that the driver of change – a growth in the working-age population from ethnic minority communities – is spreading from the west to the south of the regional economy.

Disability is far more prevalent than many people, including employers, may expect. About 11 million people in the UK, including 20% of the working-age population, can be defined

as having a disability. As a region, Yorkshire & Humber has a slightly higher population of people with disabilities than the national average. Like any other group of people, the population of people with disabilities is hugely diverse, in terms of background, outlook, aptitudes and aspirations.

There is great diversity too in the nature of impairment. Some impairments are short-term, others permanent. Some have disabilities from birth, many develop disabilities later in life. While some people with disabilities will define themselves as such, others do not identify with the term "disability". Although the region's population of those with disabilities is less heavily concentrated geographically than its ethnic minority population, evidence shows that the highest concentration of people with disabilities is in South Yorkshire.

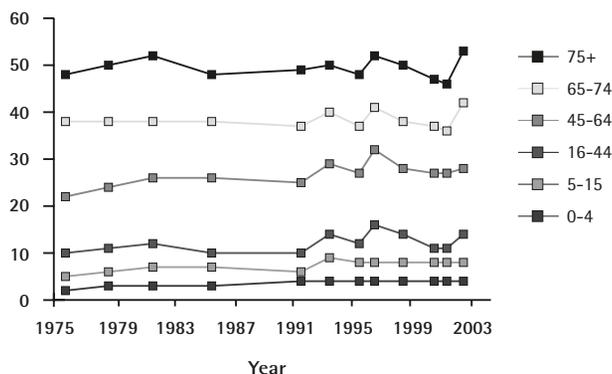
Figure 4: Percentage of population with long-term disabilities, by subregion



Source: ONS

Although figures for the age profile of those with disabilities in the region are not available, data based on the national population is available. This serves as a useful proxy in understanding the regional population. National evidence shows that disability is disproportionately found among older people, with 3.5 million people over the age of 65 having a limiting long-standing illness or disability, representing a third of the population of people with disabilities.

Figure 5: Percentage of UK population reporting limiting long-standing illness or disability, by age



Source: http://www.strategy.gov.uk/downloads/work_areas/disability/disability_report/pdf/disability.pdf

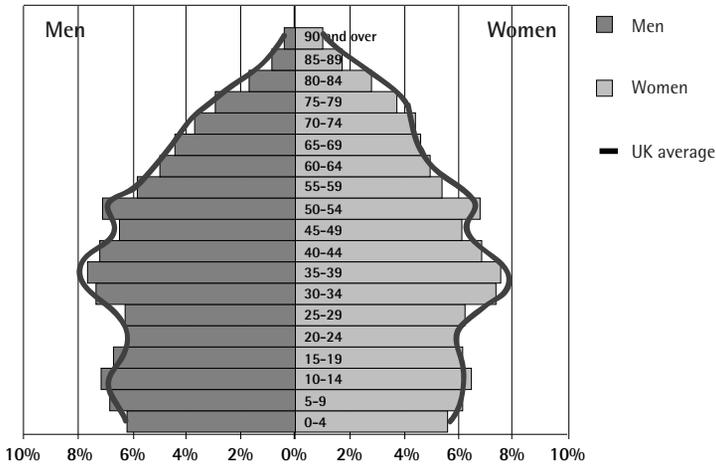
Since 1975, the fastest growth in numbers has been for children – from 476,000 children with disabilities under the age of 16 in 1975, to 772,000 in 2002. This represents an increase of 62%. Possible explanations include the increasing prevalence of impairment among children, children with complex conditions surviving longer, increased diagnosis, increased reporting and/or overall increases in the population.

Young people with disabilities have a different impairment profile from adults – they are more likely to have a learning difficulty, and initial onset of mental health problems often occurs in young adulthood. For adults with disabilities, the pattern of impairment is broadly similar across gender. The most commonly reported impairments for both men and women are problems of the back or neck, the heart or circulation, the legs or feet, or else breathing problems.

Of course, a significant number of people both come from an ethnic minority background and are disabled. National evidence shows that ethnic minority groups are less likely to report impairment than the white population. Differences in age structure account for much of this variation in prevalence, as ethnic minority groups tend to have a younger population structure. But even after controlling for this age effect, people of Indian, Pakistani, Bangladeshi or Chinese origin remain less likely to report that they have a disability. These lower rates may be influenced by cultural differences in self-reporting across ethnic groups.

Looking at the gender profile of the region, it closely mirrors national trends. With just over 5 million people in the region, 51.2% are women, with the highest percentage of women found in West Yorkshire.

Figure 6: Population structure of Yorkshire & Humber



Source: ONS

In conclusion, Yorkshire & Humber has a diverse population. It has a higher proportion of ethnic minorities among its population and a greater number of people with disabilities than the average. Given what we know about the potential economic benefits of nurturing diversity, the region's diverse population potentially presents a significant – and growing – economic opportunity.

Part 3

A diverse regional economy?

A diverse regional economy?

There is no doubt that the region's increasingly diverse population represents a source of competitive advantage and significant economic opportunity. While other, less diverse regional economies may be faced with a real challenge in responding to a shrinking labour pool, Yorkshire has a vast pool of untapped potential. Moreover, when firms do invest in diversity, the evidence shows that there are real business benefits. But as things stand, the regional population and the regional economy are showing signs of becoming detached from each other, where the growing diversity of the population stands in contrast to an economy that continues to draw on a shrinking pool of labour.

The challenge therefore is to ensure that the economy both mirrors its diverse population and draws on their talents. Evidence shows that by and large this is not happening at present. Using four key economic indicators – employment levels, earnings, access to professional occupations and levels of self-employment – it can be seen that the regional economy is failing to draw on the talents of its ethnic minorities, women and people with disabilities, relative to the achievements of the British-born white male without impairments. Without action to connect the regional population to the regional economy, there are likely to be significant economic and social costs.

Employment

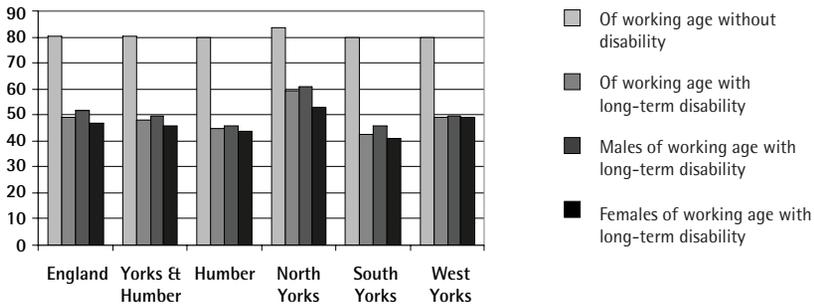
Statistics show that on one of the key indicators of economic achievement – employment – Yorkshire & Humber's women, its people with disabilities and its ethnic minority population are underrepresented. People with disabilities fare worst of all.

As is the case with the rest of the country, the regional rate of employment for women (70.2%) is lower than that for men (78.9%), with the gap between the two rates slightly narrower in the region than the national average. Across the region, in 14 local authority areas the female employment rate is below 73%. Only one area (Craven) has higher rates of female employment than male. Estimates show that if the female rate of employment were to match that of males, this would mean an extra 127,000 people in employment across the region.

Consistent with national trends, people with disabilities and ethnic minority groups in the region are severely disadvantaged in terms of gaining and keeping employment. Data shows that the employment rate among people with long-term disabilities is considerably lower than among those without. The difference in employment rates between people

with disabilities and those without is striking in all cases – nationally, regionally and subregionally. In fact, the employment rate of people with disabilities is lower than that of any of the other disadvantaged groups, such as lone parents and ethnic minority groups. Across the country it is estimated that there are 1 million people with disabilities who want to work but are not working.⁷

Figure 7: Employment rates among those with and without disabilities (%)



Source: ONS

Among people with disabilities in the region, those in North Yorkshire have so far had most success in securing employment, with more people with long-term disabilities in work than not in work, particularly among men. However, it should be remembered that the total number of people with disabilities in North Yorkshire is relatively small (it has the smallest subregional population of people with disabilities).

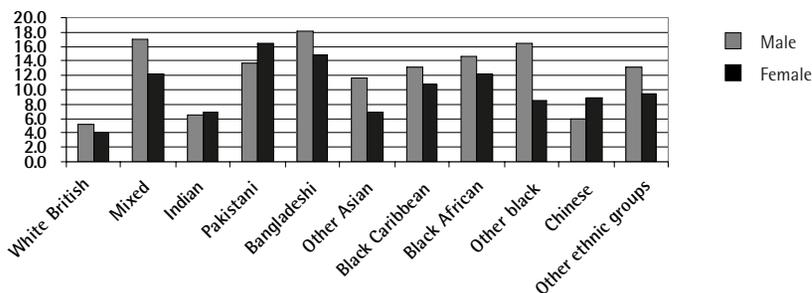
The most marked trend is that the subregion with the highest number of people with disabilities, South Yorkshire, has the lowest proportion in employment. The employment gap between people with disabilities and those without in Yorkshire & Humber should not be underestimated. Figures show that if the employment rate of the region's population of those with disabilities matched that of the population of those without, an extra 196,000 people would be in work.

Turning to ethnic minorities, these groups have consistently experienced unemployment rates twice those of white people, although there are clear differences across different ethnic groups. The latest national evidence (based on 2003 labour force survey figures)

⁷ National Employment Panel *Able to Work* (January 2005).

suggests that, for the most part, these trends remain. Nationally, men from Bangladeshi backgrounds have the highest unemployment rate in Great Britain, at 18%, compared with a white British male unemployment rate of 5%. The next highest male rates were among those of black African (15%), Pakistani (14%) and black Caribbean origin (13%).

Figure 8: UK unemployment rates by ethnic group and sex, 2002/03 (%)



Source: <http://www.statistics.gov.uk/cci/nugget.asp?id=462>

Although there are significant data limitations, the national picture of continuing ethnic minority disadvantage, in terms of unemployment rates, appears to be repeated in the region. Although the figures do not differentiate between different ethnic minority groups, they do show that non-white, Asian/Asian British and black/black British men and women have significantly higher rates of unemployment than their white counterparts.

While the limited nature of regional unemployment data means that firm conclusions should not be drawn, it is reasonable to conclude, given the disproportionately high percentage of people of Pakistani or Bangladeshi origin in the region, that the high non-white unemployment rates are largely accounted for by high regional rates of unemployment among these two ethnic groups.

In conclusion, it is clear that Yorkshire & Humber's diverse groups are underrepresented in the labour market, relative to the average, presenting a considerable cost to the regional economy. Figures have been presented showing the growth in employment that would result if the female rate of employment matched the male (127,000 extra workers); if the rate of employment of people with disabilities matched that of those without (196,000); and, if the ethnic minority rate of employment matched the white (54,000).

In each case, the potential growth in employment is considerable. Although the sum of these figures implies that there would be 377,000 extra workers in the regional economy, this figure is not reliable, because in many cases the same people may be accounted for more than once. However, what is clear is that if the female employment rate matched that of males, if the rate of employment for people with disabilities matched that of those without and if the ethnic minority employment rate matched that of the white population, there would be a significant rise in the numbers of people available to work – to the tune of tens of thousands.

The problem is clearly not a lack of jobs. Across the region today there are 60,000 advertised unfilled vacancies in the labour market. The regional economic strategy has a 10-year target to 2016 to raise the International Labour Organisation employment rate from 74.4% in 2004 to 78-80% – around 155,000-200,000 net extra jobs.

Earnings levels

The far lower employment rates of women, ethnic minorities and people with disabilities have a significant impact on the average earnings of these groups. For each, evidence shows that their earnings are less than those of their counterparts. Although there is no data available at regional level that looks at the earnings of people with disabilities, national evidence shows that the income of someone with a disability is, on average, less than half that of someone without. Even after direct taxes and benefit payments have been accounted for, people with disabilities still earn 30% less than those without.

In addition, people with disabilities are more likely to live in poverty: 27% of individuals in a household where one or more people has a disability have incomes below 60% of median income, compared with 20% of individuals in households where nobody has a reported disability. At the same time, the experience of impairment and disabling barriers can mean that people with disabilities have increased costs compared with those without. Evidence shows that children are more likely to experience poverty if there are adults with disabilities in their family.

Looking at ethnic minority groups, there are significant differences in average weekly earnings levels between some ethnic minority groups and their white counterparts. In 1994, average earnings for men in all ethnic minority groups were lower than for their white counterparts. With the exception of Indian men, this was true for 2000 as well. There are also significant differences between ethnic groups, with men of Bangladeshi origin being the most disadvantaged (average weekly net earnings being between 45%

and 52% below those of their white counterparts, or £155 less, in 2000). Evidence also shows that while a quarter of white households have incomes at or below the national average, four-fifths of households comprising people of Pakistani or Bangladeshi origin are at this level.

For women in the region, earnings are far less than for their male counterparts. While the average gross weekly earnings of males in Yorkshire & Humber is £442, the average for females is £262. Across all subregions of Yorkshire & Humber, male full-time workers are the highest paid – by £100–150 per week more than the overall average. The disparity in pay between men and women replicates national trends where, three decades on from the passing of the Sex Discrimination Act, the full-time gender pay gap is still 13%, based on median hourly earnings, and 17% based on mean hourly earnings.⁸

The gender pay gap isn't just bad news for women. It is bad news for business and for the region. The economy is working below its productive potential if women are working in lower-skilled roles, in jobs that do not fully use what they have to offer. This has negative consequences for growth in the economy. As the labour market is tight in many parts of the region, increasing women's participation in all sectors could help to reduce skills shortages – especially in the important and expanding high-value growth sectors.

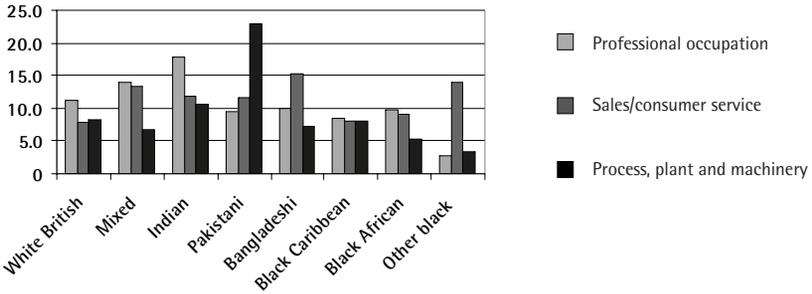
Occupational attainment

The disadvantage in earnings experienced by women, ethnic minority groups and people with disabilities reflects not just differences in employment rates, but also significant differences in occupational attainment, with these groups far less likely to be found in senior occupations and positions across the Yorkshire & Humber economy. The evidence shows that, for the most part, some groups clearly face bigger barriers than others, not just in securing employment, or earning a decent wage, but also in progressing up the career ladder.

Since the 1990s there has been a slight rise in the proportion of those from ethnic minority groups as a whole holding professional or managerial jobs throughout the UK. While men from white or Indian backgrounds have tended to maintain broadly similar rates of higher occupational attainment, the remaining ethnic minority groups – with the exception of those of Chinese origin – have lower proportions of professional/managerial employment than their white and Indian peers. Nationally, black groups and those of Bangladeshi or Pakistani origin are the least likely to access professional occupations.

8 Women & Work Commission *Shaping a Fairer Future* (February 2006).

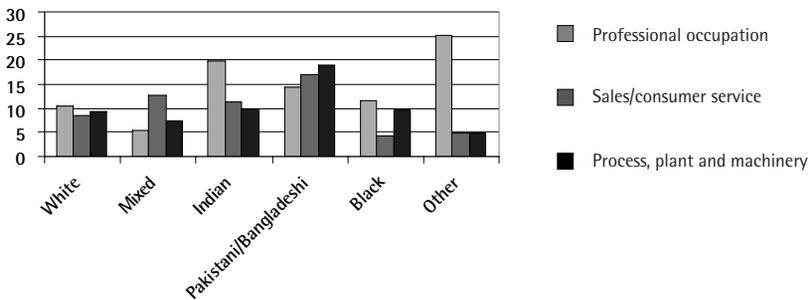
Figure 9: National occupational attainment by ethnic group, 2002/03 (%)



Source: <http://www.statistics.gov.uk/cci/nugget.asp?id=462>

Despite statistical restrictions (differing years, differing categorisations) it is clear that there are similarities – alongside significant differences – when comparing the occupational attainments of ethnic minority groups in the UK with those in the Yorkshire & Humber region. In both cases, the white British population has relatively low rates of people working in professional occupations (approximately 11%), while the success of those of Indian origin in accessing professional occupations is stark (almost one in five in both cases), double the proportion among white people.

Figure 10: Regional occupational attainment, by ethnic group, 2004 (%)



Source: Figures provided by Yorkshire Forward

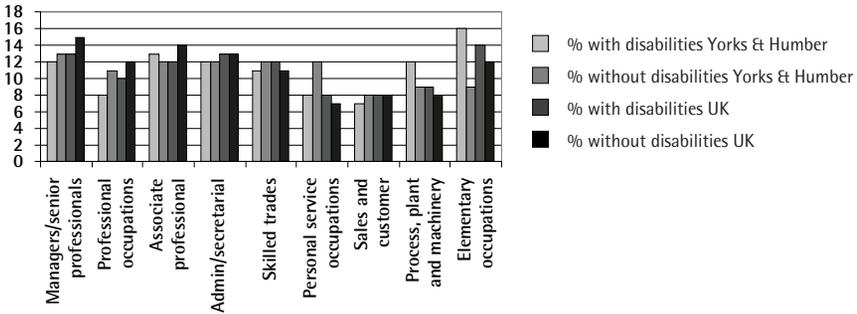
Yet in terms of differences, and bearing in mind statistical anomalies, the position in the region of those from Pakistani and Bangladeshi backgrounds appears to contrast with the national picture. Whereas nationally, those of Pakistani or Bangladeshi origin are less likely than their white counterparts to be in professional occupations, the position in the region is reversed. That is to say, over 14% of people of Pakistani or Bangladeshi descent in the region were in professional occupations, compared with 11% of white people (both regionally and nationally).

Despite this, the continuing story of Pakistani and Bangladeshi disadvantage is confirmed when we see that 36% of the regional population of those from these two ethnic groups find themselves in the lower occupational categories of "sales and consumer service occupations" and "process, plant and machine operatives", compared with 18% for the regional white population. Evidence nationally shows that one in six men of Pakistani origin in employment in the UK in 2001 were cab drivers or chauffeurs, compared with one in 100 white British men. A third of men from Bangladeshi backgrounds were either cooks or waiters, compared with one in 100 white British men. The proportion of men of Indian origin working as doctors, on the other hand, at 5%, was almost 10 times higher than the rate for white British men.

At the national level, analysis of the occupational classification of people with disabilities demonstrates that there are fewer than average people with disabilities among managers and senior officials, professional, associate professional and technical occupations, and sales and customer services occupations. There are higher than average proportions of people with disabilities in administrative and secretarial, skilled trades, personal services, and elementary occupations.

Although the figures available at the regional level are limited, available evidence shows that people with disabilities in Yorkshire & Humber are less likely than those without to be found in senior occupational categories, and more likely to be found in the lower categories. In addition, access to the senior occupational categories (such as manager/senior professional, professional occupations) for people with disabilities in the region is lower than the UK average.

Figure 11: Impact of disability on occupational attainment (%)



Source: Taylors Associates

The 2006 report published by the Equal Opportunities Commission (EOC), *Sex & Power: Who Runs Britain?*⁹ showed that despite the progress made in equalising opportunities between men and women since the Sex Discrimination Act was signed 30 years ago, much remains to be done to ensure that women achieve parity, particularly in accessing senior occupational positions.

The report documented how women make up just 9% of the senior judiciary, 10% of senior police officers, and 13% of editors of national newspapers. While women are reaching critical mass in some areas, including as heads of professional bodies (33%) and national arts organisations (33%), in most fields there has been little change since the EOC first published the survey two years ago.

The lack of women at the top is all the more striking given that girls now outperform boys at school, women account for nearly half the workforce, more women than men are entering higher education and high-flying professions like the law, and significant numbers of women are swelling the ranks of middle management (a third of managers and senior officials are now women). Yet only a few have broken through the glass ceiling. According to the EOC:

⁹ Equal Opportunities Commission *Sex & Power: Who Runs Britain?* (2006).

*Of those women who have made it to the top, it is still too often the result of their exceptional strength of character and drive to achieve despite significant barriers. The barriers, however, remain very much intact.*¹⁰

Self-employment

The level of self-employment is a further important indicator of the extent to which specific groups are able to enjoy the fruits of economic growth. In macro terms, levels of self-employment are important given the growing significance of self-employment in the economy, particularly in terms of the contribution to gross domestic product and as a source of employment. But it is vital to understand that self-employment as an indicator of economic achievement is limited, given that many people may be pushed into self-employment precisely because of a lack of opportunities in the mainstream employed sectors of the economy.

Unfortunately, regional figures on the extent of self-employment among people with disabilities are not available. Even national data is limited. The evidence that is available, however, shows that of those in paid work, 18% of men with disabilities and 8% of women with disabilities are self-employed, compared with 14% and 6% of men and women without disabilities.

A large body of national evidence has consistently pointed to high levels of self-employment among many ethnic minority groups. A tendency towards entrepreneurialism within these groups may have a number of causes, from pull factors such as cultural predisposition, to push factors such as the anticipation and possible experience of discrimination in paid employment.

People from Pakistani and Chinese backgrounds are more likely to be self-employed than those in other ethnic groups in Great Britain. In 2002/03, around a quarter (23%) of those from Pakistani backgrounds who were in employment were self-employed, as were around a fifth (18%) of people of Chinese descent. This compares with around one in 10 (12%) white British people and fewer than one in 10 black people.

For women in the region, female business ownership is comparable with the England average, and only London, the South East and the South West have a higher proportion of female business owners. The figures for females thinking about starting a new business

¹⁰ Ibid.

are, however, not as good, with the region ranking last of the English regions.

In conclusion, the evidence presented here on levels of employment, earnings, occupational attainment and self-employment for women, ethnic minorities and people with disabilities shows that these groups, in relative terms, remain disadvantaged compared with British-born white males without disabilities. This confirms the fear that the diverse population of Yorkshire & Humber, with growing numbers of people with disabilities or from ethnic minorities, is becoming disconnected from the economy, where these groups are clearly disadvantaged.

This is particularly worrying given that these groups are set to make up a much larger proportion of the regional working-age population in the future. It also means that the business benefits of diversity are not being maximised in the region, with economic and social costs for individuals, for businesses and for the regional economy.

For policy makers, the challenge is to understand the barriers that prevent businesses from realising the benefits of diversity. Without this understanding, policies designed to reverse these trends will have, at best, only a marginal impact, with the result that the economy of Yorkshire & Humber will become further isolated from the population.

Part 4

Barriers to economic diversity

Barriers to economic diversity

Ensuring that the Yorkshire & Humber region can maximise the benefits of diversity by integrating women, ethnic minorities and people with disabilities into the economy will require an understanding of the barriers that prevent this taking place. Clearly, there is no shortage of people from diverse groups *available* to work: unemployment levels bear testament to that. Nor is there a shortage of jobs or of people from diverse groups who *want* to work. The key therefore is to understand the barriers preventing people's aspirations to enter and succeed in the economy from becoming a reality. They are complex and multifaceted, and affect both the demand and the supply side of the economy.

On the demand side, the continued disadvantage experienced by diverse groups in Yorkshire & Humber suggests that the arguments pointing to the apparent business and economic benefits of diversity are, in themselves, insufficient to change the behaviour of businesses in the region. After all, at the macro level, it has long been argued that there are strong economic reasons to increase the numbers of women, people with disabilities and those from ethnic minority groups in employment.

As the economy continues to grow, it is argued, it will be important to increase the supply of labour. Women, people with disabilities and ethnic minorities offer a large pool of untapped labour. Campaigners also highlight that increasing the employment and promotion of women – who are more likely to have higher qualifications than men – will help to boost productivity. While arguments of this sort may be effective in engaging government and large companies they have, to date, been lacking in getting a sufficient number of businesses in Yorkshire & Humber to change their behaviour.

Part of the problem in changing the behaviour of employers undoubtedly lies in developing a compelling, evidence-based business case that applies to a sufficiently large number of employers. The strength of any business case for diversity will vary between employers, especially between larger employers and small or medium-sized enterprises. Moreover, the merits of recruiting a woman rather than a man, someone from an ethnic minority background before a white person, or a person with disabilities over one without will vary on a case-by-case basis. There is also a lack of evidence to support some of the arguments commonly put forward as part of the business case – for example, that people with disabilities are loyal members of staff, staying in their jobs for longer than others.

In short, rather than assuming that simply highlighting the economic benefits of diversity

will be sufficient to change individual company behaviour, a far greater understanding is required of the obstacles faced by businesses in turning the rhetoric about the benefits of diversity into reality.

Discrimination in the workplace

Evidence suggests that employer discrimination, either direct or indirect, continues to be a factor in explaining why women, ethnic minorities and people with disabilities remain economically disadvantaged. Discrimination can occur throughout the employment cycle, from recruitment to dismissal. It is not limited to employers of a certain size or to certain industries or sectors. It can be cumulative and reinforcing; for example, as a result of exclusion over time, there can be perceptions among job applicants or employers that certain employers or industries are exclusively for people without disabilities, or for white people. Likewise some employers may see women, people with disabilities and ethnic minorities as outside their recruitment pool, or as inappropriate candidates for promotion.

Direct and indirect discrimination

Direct discrimination describes a situation in which, either on racial grounds or on the basis of gender or disability, one person is treated less favourably than others are, or would be, treated in the same circumstances. For instance, direct discrimination occurs if an individual from an ethnic minority background is passed over for promotion, despite being better qualified for the job than a white colleague whose application for promotion is successful.

Indirect discrimination may be more difficult to identify because it is often embedded in ostensibly race- or disability-neutral practices and policies. It describes a situation where an apparently (race or disability) neutral provision or practice would put someone of minority ethnic origin or someone with a disability at a disadvantage compared with others, unless that practice or policy were objectively justified by a legitimate aim. For example, to require all job applicants to have a high standard of spoken English could be indirectly discriminatory, as it could be more difficult for members of certain racial groups to comply. If the post is for a radio presenter, the requirement is likely to be justifiable; if, however, the post is for a manual worker, such as a mechanic in a car factory, the requirement may not be justified and would be indirectly discriminatory.

There has been considerable progress in tackling discrimination in the economy over the last 30 years. Race, sex and disability discrimination legislation has had a real impact in reducing discriminatory behaviour. However, for women, ethnic minorities and people with disabilities, a range of evidence suggests that discrimination and harassment continue to suppress their economic achievements.

Discrimination tests: In 1996 the Commission for Racial Equality carried out a series of discrimination tests to determine how young people from ethnic minorities fared in their search for jobs. At least two applications were submitted for a number of vacancies, with identical fictitious CVs that differed only by ethnic background. White applicants were nearly three times more likely than Asian applicants and almost five times more likely than black applicants to be asked to come to an interview.

Personal testimonies: The Equal Opportunities Commission's pregnancy discrimination investigation (launched in 2003) found that 30,000 women each year were sacked, made redundant or left their jobs because of pregnancy discrimination. Almost half (45%) of women who had worked while pregnant said they experienced some form of discrimination because of their pregnancy.

Hate crime: The Disability Rights Commission reports that one in four people with disabilities have experienced hate crime or harassment. The mental health charity MIND reports that this rises to 47% of people with mental health problems.

Tribunals: In 2001/02 there were some 129 cases in which employment tribunals were satisfied that racial discrimination had occurred or was occurring. Given the reluctance of most discrimination victims to come forward, this may be an underestimate of the actual number of cases.

Fears of future discrimination cases

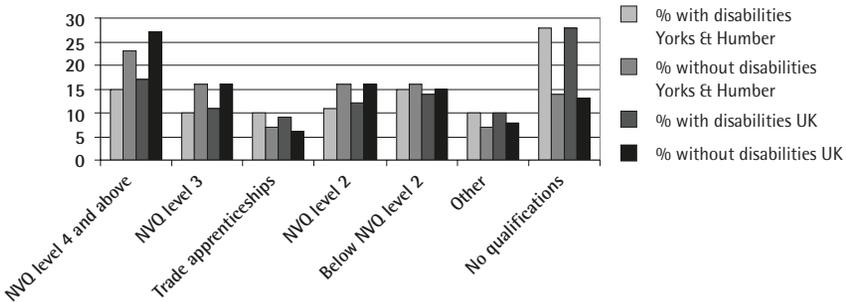
Perhaps as significant as actual discrimination in explaining the disadvantage experienced by women, ethnic minorities and people with disabilities is the fear on the part of employers of future discrimination cases. In the case of people with disabilities, these fears stem from the effectiveness of the Disability Discrimination Act in protecting employees with disabilities, and its relative ineffectiveness at the recruitment stage – just 9% of disability employment tribunal cases are based on recruitment; the remaining 91% are dismissal and reasonable adjustment cases. Some employers may feel it is safer not to recruit someone with a disability at all.

Alongside discrimination, and the fear of future discrimination cases deterring employers from recruiting from diverse labour pools, there are also a number of supply-side barriers that hamper the achievements of these groups.

Human capital – the sum of skills, knowledge, experience and educational qualifications a person possesses – is one of the most important supply-side determinants of labour market outcomes and economic achievement. Perhaps unsurprisingly, it is a key factor in explaining part, though not all, of the disadvantage experienced by ethnic minority groups and people with disabilities – though this is not the case for women.

Evidence shows that people with disabilities are more likely to be without educational qualifications, and less likely to have advanced qualifications. Figure 12 shows that in Yorkshire & Humber people with disabilities are 50% less likely to have qualifications equivalent to NVQ level 4 and above than their counterparts without disabilities. At the same time, for every one person without disabilities who has no qualifications, there are two people with disabilities without any form of qualification.

Figure 12: Highest qualification, by disability, 2002-04



Source: ONS

In terms of vocational training, a similar story prevails. Regional statistics show that workers with disabilities are less likely to have participated in job-related training or education in the past three months than their counterparts without disabilities. For the UK as a whole, the proportions are 26% of workers with disabilities undertaking training, compared with 29% of workers without. For Yorkshire & Humber the proportions are 26% of workers with disabilities undertaking training compared with 30% of workers without.

Levels of human capital vary considerably between different ethnic minority groups in Britain. Some groups, such as the working-age population of those of Indian origin, show high levels of literacy, education and skills, on average exceeding those of the white population. In broad terms, people of Pakistani or Bangladeshi origin tend to have very low levels of qualifications. In 2001, the Prime Minister's Strategy Unit found the following:

- Black pupils and those of Bangladeshi or Pakistani origin achieve less highly than other pupils at most key stages, particularly at GCSE level. Conversely, pupils of Chinese or Indian descent outperform white pupils at GCSE.
- While performance levels differ, the general trend in the proportion of young people from all ethnic groups gaining five or more GCSEs (grade A*-C) has been upwards.
- There are important gender differences in educational outcome. Girls of black Caribbean descent achieve better GCSE results than their male counterparts. The apparent convergence of GCSE results between pupils from black Caribbean and white backgrounds masks the fact that the gap for boys from these two groups is not closing – a disturbing outcome that points away from convergence of outcomes in the labour market.

In the Yorkshire & Humber region, data that differentiates between ethnic groups and tracks the educational qualifications of each is very limited. The data that is available uses broad categories such as "Asian", compromising its usefulness, given what we know about the divergence between, for instance, populations of Indian descent and those of Bangladeshi descent, both of whom would fall under the Asian category. This means that firm conclusions based solely on regional data should not be drawn.

One of the key skills issues in the region, given its demographic profile, is language proficiency, particularly among those of Pakistani or Bangladeshi origin. English language skills are strongly associated with increases in the likelihood of employment, as well as greater earning potential and progression for those already in work.

Evidence shows that first-generation female immigrants from Pakistan and Bangladesh lack competency in speaking English. Indeed, research has shown that among women with Bangladeshi backgrounds, 75% of those over 25 are not fluent in English. Given the relatively high number of people of Pakistani origin in the region and the rapidly growing population of those from Bangladeshi backgrounds, it is clear that action on language skills will be vital in ensuring that ethnic minority employment rates increase.

A lack of human capital is clearly not a factor in explaining why women fare less well than men in the economy. Girls consistently outperform boys at school and more women than men enter higher education. In Yorkshire & Humber, just under 27% of females are educated to NVQ level 4, compared with 25% of males, with higher numbers of females gaining NVQ levels 1 and 2 than males. The Women & Work Commission – set up by the Prime Minister and the Department of Trade & Industry to explore the disadvantage experienced by women in the labour market – found in its interim report (published in February 2006) that alongside discrimination, a set of complex factors accounted for both the relative lack of women's progress in the labour market and the gender pay gap. These are as follows:

- **Variance of labour market experience between men and women** (both its length and the number of interruptions) is significant. Having children or other caring responsibilities can act as a significant barrier restricting women's chances of entering and progressing through work, particularly full-time work.
- **Part-time work:** the push into part-time work resulting from the pressures of caring responsibilities severely impedes the earning potential of women.
- **Occupational segregation:** despite girls doing better than boys at schools, this is not translating into change in the high-paying occupations associated with men. Women still dominate the five Cs – cleaning, catering, caring, cashiering and clerical work. Action to explore why women enter particular sectors of the economy is therefore needed.

The barriers restricting the progress of women are complex, multilayered and entrenched, and will require practical action from government, employers, employees and others to reverse it. In many cases, the barriers are just as complex in preventing the progress of people with disabilities and those from ethnic minorities.

For people with disabilities, although many of the barriers to achievement are common across different impairments, some are impairment-specific, adding further complexity to promoting opportunities. Some people, particularly those with learning difficulties, may need someone to act on their behalf when dealing with service providers. People with intermittent or relapsing conditions, such as multiple sclerosis and arthritis, have difficulties with many services and benefits, as the qualifying assessments are often inflexible. People with mental health conditions are often the most disadvantaged. The Social Exclusion Unit has found that less than four in 10 employers say they would recruit someone with a mental health problem.

For ethnic minorities, among the most important explanatory variables of economic achievement are the three Gs – generation, gender and geography. Evidence shows that the number of people in the second generation with no qualifications is at least half that in the first, for all groups and both sexes. Yet there are still real areas for concern. Pakistani second-generation men and women – despite greater participation in education at degree level than their white counterparts – also lead the tables for those with no qualifications, suggesting a “forking” of experience, with disproportionate numbers experiencing good and bad outcomes.

The economic achievements of those from ethnic minorities are also heavily conditioned by gender, which has an effect on ethnic minority/white differentials. Among all ethnic minority groups in the region, women are less likely to be employed than men. Strikingly, only 20% of women from Pakistani and Bangladeshi backgrounds in the region are employed, compared with two out of three men from the same ethnic background in employment in 2004 and a national female employment rate of around 70%. On-going ethnic minority disadvantage in the region, particularly in terms of employment, can therefore be explained in significant part by extremely low rates of employment among women from Pakistani and Bangladeshi backgrounds.

Geography plays an important part too. Among ethnic minority groups in the main cities and regions of the UK, those with Pakistani or Bangladeshi roots are most likely to live in wards with the highest degree of relative deprivation, while white people are the least likely to do so. In four out of five local authority areas where there are significant concentrations of ethnic minorities, there are levels of business activity lower than the national average. This will clearly have a significant impact on the economic opportunities available to people in those areas.

Data on housing tenures, housing patterns and geographic location suggests that mobility – or a lack of mobility – also informs the disadvantage of ethnic minorities and people with disabilities. People with visual impairments report particular barriers around accessible transport. Some with visual impairments, evidence shows, are almost entirely dependent on private taxis. For ethnic minorities, national evidence shows that ethnic minorities are more geographically restricted in their job-seeking activities and are more reluctant to commute long distances. Some estimates suggest that the lack of mobility of ethnic minority groups may account for as much as 20% of the difference between the average unemployment spells of ethnic minority and white people.

Given the multilayered, complex and entrenched nature of many of the barriers preventing women, those from ethnic minorities and people with disabilities from doing better in the Yorkshire & Humber economy, it is clear that a one-size-fits-all approach would be ineffective. Such an approach would lack the nuance and focus necessary to deal with the education, skills and other disadvantages faced by ethnic minorities and people with disabilities, and it would be ineffective in reversing the complex range of barriers holding back women. Clear, focused, evidence-based policies are therefore at a premium.

Part 5

The policy context

The policy context

Previous sections of this paper have shown that those regions that ensure that all of their people, regardless of factors such as ethnicity, gender, disability and age, maximise their economic contribution stand to see significant GDP gains. Achieving this, and ensuring that all groups in society are integrated and able to access and maximise economic opportunities, is not a new area of concern for policy makers. In terms of ethnic minority groups, women and people with disabilities, this challenge has been on the table for government – and others – more or less continuously for 40 years.

The Race Relations Act (1965), most recently amended in 2001, the Sex Discrimination Act (1975) and the Disability Discrimination Act (1995) have sought, in different ways, to ensure that ethnic minority groups, women and people with disabilities no longer face discrimination in accessing economic opportunity.

Anti-discrimination legislation

Race

The first Race Relations Act (1965) sought to curb direct acts of racial discrimination, typically those that took place in public locations such as shops, restaurants or on buses. This basic layer of statute concentrated on the concept of direct discrimination and its potential prohibition through statute. A weakness of this approach was that it relied on acts of discrimination being targets of policy so long as a clear intent to discriminate on grounds of race or ethnic origin could be seen and shown.

The criticism underpinning this approach was therefore that discrimination might also be the result of unintended consequences of policies, procedures and practices, which helped shift the focus on to the notion of indirect discrimination. This was captured in the third Race Relations Act of 1976, based on the idea that the rights and opportunities of ethnic minorities would continue to be suppressed unless a willingness existed to look beyond overt acts of discrimination.

In 2000, following the publication of the Macpherson report the previous year, the 1976 act was amended to include a general duty on public authorities to promote race equality – a significant departure from the first act of 1965, which merely sought to curb direct acts of discrimination.

Disability

There has also been a considerable shift over the past 50 or more years in policies that seek to ensure that people with disabilities are able to access economic opportunities. Up until the late 20th century, policies for people with disabilities were based on the so-called "medical model" of disability. That model focused almost exclusively on an individual's impairment as the source of his or her disability.

The medical model was strongly criticised from the 1970s onwards by a number of academics and activists, who instead promoted a "social model" that saw disability primarily as an outcome of disabling societal barriers – whether physical, attitudinal or some other form. The social model of disability was developed by people with disabilities and it frames the "problem" of disability in social terms, rather than viewing the person as the problem. It therefore makes a key distinction between impairments on the one hand and disability on the other. This has had a clear impact on policy ever since, with an increased focus on enabling people with disabilities to live independently, or to find their way into mainstream employment.

Allowing people with disabilities to live independently, or to encourage their economic integration, has meant that the legislation to protect the interests of people with disabilities differs radically from that intended to protect ethnic minorities or women. The Race Relations Act 1976 and the Sex Discrimination Act 1975 seek to make sure that different groups of people are treated equally in order to achieve equal outcomes. But the Disability Discrimination Act 1995 requires employers and others to treat people with disabilities differently (and to make "reasonable adjustments") to reduce the barriers to their participation in society, and to achieve equality of outcomes for people with disabilities and people without. This is equivalent to requiring positive discrimination in favour of people with disabilities in some contexts.

Gender

The Equal Pay Act 1970 makes it unlawful for employers to discriminate between men and women in terms of their pay and conditions where they are doing the same or similar work, work rated as equivalent, or work of equal value. The act applies to both men and women, but does not give anyone the right to claim equal pay with a person of the same sex. In other words, any comparison must be with a person of the opposite sex. The Equal Pay Act was passed in 1970, when the pay gap between men and women stood at 37%. By the time the act came into force in 1975, it had closed to 30%

The Sex Discrimination Act 1975 applies to both men and women and makes sex discrimination unlawful in employment and vocational training, education, the provision and sale of goods, facilities and service premises.

Legislative changes to promote equality have clearly had a significant impact on the economic opportunities available to diverse groups. The Equal Pay Act and the Sex Discrimination Act, for instance, have caused the hourly pay rates of full-time working women to rise from just over 60% of men's earnings in 1974 to 70% in 1982. Today, the figure is 82%.

While this does show that legislation has had a significant effect on the earnings of women, it does not explain the recent rise in women's earnings, which has taken place in the absence of new legislation to promote earnings equality. This suggests that other policy measures can be just as significant in equalising opportunities for women, people with disabilities and ethnic minorities as anti-discrimination legislation.

Since 1997, active welfare policy has had a significant impact on the economic disadvantage experienced by diverse groups. On jobs, the New Deal has meant that unemployment has fallen dramatically, which has had a disproportionately positive impact on groups traditionally disadvantaged in the labour market – women, ethnic minorities and people with disabilities. The result in Yorkshire & Humber is that unemployment is low, with 94,000 jobs created since 2000.

But the government is keen to do more to move towards its goal of 80% of the working-age population being employed. In support of this, specific public service agreement targets have been established to increase the employment rates of both people with disabilities and ethnic minority groups. Early signs suggest that these measures are beginning to have an impact, with rising employment rates for females, ethnic minority groups and people with disabilities.¹¹

The New Deal for people with disabilities has meant that 75,000 extra people with disabilities have found work since 2001. The latest Department for Work & Pensions green paper, *A New Deal for Welfare: Empowering People to Work* (January 2006), set out further reforms to improve the employment rates of some of the most disadvantaged groups. But the continued gaps – for instance in employment and earnings – between

11 <http://www.dwp.gov.uk/ofa/indicators/indicator-19.asp>

these groups and white, British-born, non-impaired males suggests that far more can and should be done to realise the benefits of diversity across the Yorkshire & Humber economy and beyond.

Building on existing equality duties in the public sector, many organisations and campaigners, like the Equal Opportunities Commission, believe the next step is to modernise the law so that employers in the private sector are required to promote equality between genders, between ethnic minority and white people, and between those with disabilities and those without. This change in the law would be similar to a new duty on public-sector employers expected to come into force in April 2007. Whether ministers accept this recommendation remains to be seen.

The key issue is whether further legislation will be sufficient in tackling the multitude of complex barriers restricting the opportunities available to diverse groups. Further legislation may do little to provide, for instance, ethnic minorities with improved skills, people with disabilities with better educational levels, or women with greater help in coping with caring responsibilities.

Resorting to further legislation may be in danger of missing the point that government alone cannot reverse the fortunes of diverse groups. What is required is a powerful coalition of government, business and employees to overcome the barriers to greater diversity throughout the regional economy.

Part 6

Promoting economic diversity in the region

Promoting economic diversity in the region

Ensuring that the Yorkshire & Humber economy reflects the regional population and draws on the talents and skills of all groups will require the public sector, the private sector and individuals themselves to overcome a series of challenges.

The challenge for government is to ensure that everyone who is able to work and contribute to the economy is given the support and skills they need to move into work as quickly as possible, through the removal of barriers to work, active labour market policies and policies that make work pay. The challenge for employers in the region will be to ensure that their recruitment, retention and development strategies enable them to make the most of all the talent available to them, ensuring that women, people with disabilities and those from ethnic minorities have equal opportunities with others. For individuals, the challenge is to be clear that in return for help to access new opportunities, they have a responsibility to take advantage of that help in order to enable them to access new economic opportunities. But to maximise the combined impact of these efforts, it will be important to articulate a clear, shared vision of why this issue is so important for the regional economy, what can be achieved and how this can be done.

Yorkshire Forward, as the economic development agency for the Yorkshire & Humber region, is well placed to take on this challenge and to develop a shared vision and strategy for maximising the benefits of diversity across the region. The agency has been at the heart of the region's recent resurgence. Low unemployment, higher than average UK growth, more businesses and more innovation mean that the future prospects for the regional economy are good. But regional leaders know that to turn these exciting prospects into a working reality will mean that, because of demographic and economic change, the economy will have to maximise the contribution of diverse groups and draw on the talents of all.

Yorkshire Forward has recognised the importance of promoting diversity. Diversity is at the heart of the regional economic strategy as a key cross-cutting theme. The strategy states that all projects and programmes developing out of it should contribute to "ensuring all people and businesses realise their potential and contribute to a better economy" by actively seeking to "utilise and benefit the whole range of communities in the region (including black and minority ethnic groups, faith groups, deaf and disabled, women, young and older people, deprived areas)".¹² A specific "diversity and well-being" target has also been set to "halve above average deprivation levels".

12 Yorkshire Forward *Regional Economic Strategy for Yorkshire & Humber, 2006-2015* (2005), p23.

Yorkshire Forward's equality vision is to:

- promote equal opportunities and stamp out discrimination;
- create a fair society where all people have fair access to opportunities; and
- remove barriers to make sure all people are able to achieve their full potential and are able to contribute to the economic development of the region.

The agency operates an equal opportunities policy that seeks to ensure fair and equal opportunities in the recruitment and treatment of staff, irrespective of race, gender, sexual orientation or disability. It has produced a detailed race equality scheme and action plan for 2005-08 that commits it to the promotion of good race relations. This will be followed by similar schemes relating to disability and gender.

The external promotion of equality and diversity is operated primarily through impact assessments carried out on all projects that receive Yorkshire Forward funding. These assessments seek to identify the negative and positive impacts of a project on different sections of the community or different groups of people, including different racial groups, and how any adverse impacts might be reduced or eliminated.

Yorkshire Forward also seeks to influence regional partners to adopt similar policies in relation to diversity, through its contractual requirements and by funding projects such as Fair Play, which encourages small and medium-sized businesses to carry out self-assessments on their approach to diversity. In addition, Yorkshire Forward participates in schemes operated by Remploy and Talent Recruitment to help disadvantaged groups gain experience of working in the public sector.

Meeting the ambitions set out in Yorkshire Forward's equal opportunities policies and capturing the wider economic benefits of diversity will require a framework of regional policy that draws on the best of public bodies, private businesses and individuals and that maximises the economic contribution of all groups in the Yorkshire population. This framework should be based on the following principles:

- Increasing the achievements of diverse groups is an economic issue that will be central to the future productivity and growth of the region. For many employers in Yorkshire & Humber, the demographics are compelling: in future years it will be difficult to increase productivity and growth without drawing on the talents of diverse groups.

- Women, people with disabilities and ethnic minority groups are highly diverse groups, meaning that generalised, blunt approaches will lack the nuance to overcome the barriers to economic opportunity for specific groups.
- There are no simple or quick-fix solutions to the complex problems of increasing the economic achievements of diverse groups. It will require simultaneous and integrated action on both the supply and demand sides of the market, in national, regional and local policy.
- Wherever possible, it is important *to build on what is already in place*. New initiatives are likely to overload delivery systems that are already under considerable pressure. In the light of today's financial constraints and the drive for greater efficiency, it makes more sense to work with and through mainstream programmes, unless it is clear that they are unable to deliver the requisite quality, performance and scale.
- Serious and sustained political and business leadership is crucial. The gaps between the achievements of white, British-born, non-impaired males and women, ethnic minorities and people with disabilities are large. They have persisted for decades, notwithstanding the steady economic growth of the past 10 years. Active and visible leadership from regional leaders, underpinned by a clear objective and measures to track progress, is now essential.

A framework of policy that aims to generate the economic benefits of diversity needs to be multifaceted and holistic. This means it needs to be based on evidence, rather than rhetoric about the benefits of diversity. It means that demand-side measures are as important, if not now more important, than supply-side measures. It also means that action is required not just from public agencies but also from businesses and individuals.

Changing employer behaviour

Although legislative attempts have been made over the past 40 years to encourage more companies to recognise the importance of diversity, the evidence suggests that far too many employers remain either unaware, unable or unwilling to take this message on board.

Discrimination against women, people with disabilities and ethnic minority groups continues to be a key factor in explaining why the benefits of diversity are not being fully optimised. This is despite the progress many companies have made in recognising the existence of discrimination and taking measures to counter it.

A growing number of employers have adopted equal opportunities policies in recent decades. Yet research conducted in 2002 indicated that, among the employers studied,

only 50% of the workplaces that had introduced equal opportunities policies had specific practices to make them effective.¹³ In 2004, the Institute of Public Policy Research's business-led task force on race equality and diversity in the private sector surveyed 251 small and medium-sized enterprises, and found that 60% of respondents did not have formal race equality policies, with 70% of these agreeing that a "race equality policy is not needed as it is not an issue for our business". Clearly, the existence of an equal opportunity policy and its effective implementation are two quite separate things.

Meanwhile, only four in 10 organisations have a formal written or monitored policy to cover the employment of people with disabilities. Larger organisations are more likely to have more comprehensive employment policies for people with disabilities, to actively encourage applicants with disabilities and to display the "two tick" symbol in the workplace. Manufacturing and construction companies are less likely than those in other sectors to have such policies and to offer active encouragement.

The reasons individual employers adopt rather than implement equal opportunities policies to promote the interests of diverse groups are complex. The strength of business case arguments is often insufficient. Nor is it likely that for many employers, government and other public bodies are the most credible messengers. Therefore employers themselves should lead the way in raising awareness of diversity issues and promoting best practice, by working in partnership with government to develop effective employer-to-employer networks and campaigns.

To encourage more employers to turn their equal opportunities policies into a reality, a multifaceted approach is required. No single policy or legislative tool can provide an adequate response; a balanced and comprehensive package of measures is required.

Four broad measures to stimulate the demand side of the economy, with the aim of encouraging more companies to take on the mantle and to recognise and promote the importance of diversity, are proposed:

- first, public bodies like Yorkshire Forward need to lead by example and become regional exemplars in taking measures to promote diversity within their own organisations;
- second, more effective advice and assistance for employers to develop effective anti-discriminatory business environments should be established;

¹³ Hoque, K and Noon, M *Equal Opportunities Policy & Practice in the UK: Evaluating the "Empty Shell" Hypothesis*, occasional paper 72 (De Montfort University, 2002).

- third, measures should be implemented to encourage employers themselves to lead the way in raising awareness about the business and economic benefits of diversity; and
- fourth, an enhanced procurement strategy, using the purchasing power of public bodies to promote effective practice among employers, is needed.

Leading by example

There is no doubt that it will be difficult for the government and public agencies to promote major changes in private-sector employment practice until it puts its own house in order. Indeed, it is not uncommon for employers to justify inaction on race equality by suggesting that the public sector is not doing much better.

This makes it particularly important that public agencies make rapid and visible progress, not just in increasing employment of women, people with disabilities and ethnic minorities at all levels of the workforce, but in mainstreaming diversity across all key public authority functions – including planning, policy making, service delivery, regulation, inspection, enforcement, employment and procurement. That is why, since it was set up, Yorkshire Forward has been at the forefront of regional efforts to promote the interests of diverse groups.

To lead by example and ensure the sustained confidence of the private sector in the work and commitment of public agencies, public agencies in Yorkshire & Humber should seek to reflect the region's diversity by improved efforts to guarantee that the implementation of legislation on race, disability and sex discrimination are – and are seen to be – focused on outcomes rather than tick-box processes. This means that regional agencies should raise their game and take positive and prompt action to ensure that they become regional role models of best practice in promoting diversity.

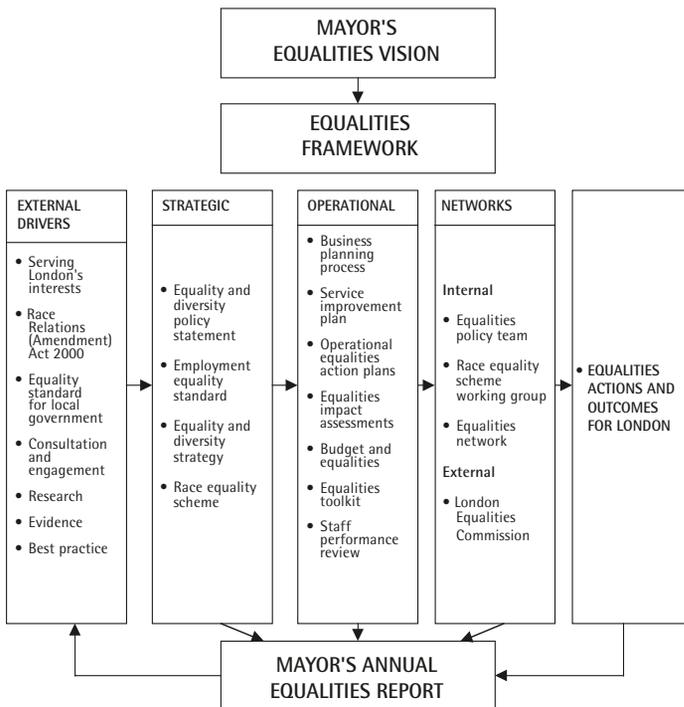
Through both its employment policies and its strategies for the region, Yorkshire Forward (and others) can aim to achieve equality of opportunity for all sections of the workforce and the community it serves.

The Greater London Authority, working closely with the London Development Agency, is an exemplar in dealing with diversity and equality issues. In little over three years, the GLA has established itself as a leading organisation that both reflects London's diversity and is able to demonstrate success in achieving its equality objectives.

At the heart of the GLA's equality strategy is its race equality scheme, established in 2002. Although the Race Relations (Amendment) Act requires all public bodies to develop such a scheme, the GLA's is notable for the way in which it eschews mere compliance with legislation for a programme that actively seeks to *promote* race equality across the board. Since the scheme was established in 2002, it has:

- embedded race equality into its mainstream agenda through robust performance management structures – the London Plan and the economic development strategy all address the impact of measures on race;
- taken positive steps to ensure that the grade profile of the GLA workforce reflects London's diversity – a total 26% of GLA staff are of ethnic minority background; and
- delivered an engagement and participation programme for ethnic minority Londoners to contribute to improved services and better policies.

Figure 13: Greater London Authority equality strategy



Source: GLA

The Greater London Authority's 2005–08 race equality scheme

- **Identifying functions and policies relevant to the general duty of the Race Relations (Amendment) Act:** The GLA will assess all its functions and policies to see whether they are relevant to the general duty to promote race equality. To identify the relevant functions and policies, the GLA has drawn from its statutory functions and the policies that have been adopted to fulfil these functions.
- **Assessing and consulting on the likely impact of proposed policies on the promotion of race equality:** The GLA will carry out a formal equality impact assessment during the development of all strategies, policies and projects that are relevant to promoting race equality, to assess whether there is any impact on any particular group. This will be done before any consultation and will include a specific race equality impact assessment. During consultation with the relevant racial groups the GLA will also ask for their views on whether they think that the policy will help promote race equality.
- **Monitoring policies for any adverse impact on the promotion of race equality:** The GLA is committed to monitoring the implementation of its policies to check the progress and effectiveness of its functions and policies. All the functions and policies that have been identified as relevant to promoting race equality are monitored for adverse impact.
- **Publishing the results of assessments, consultation and monitoring:** The GLA will ensure that the results and all other information from assessments, consultation and monitoring are available to the public in full. Wherever reports include only summaries of these results, they will indicate where more comprehensive information can be found.
- **Ensuring public access to information and services:** A crucial part of the GLA's commitment to promote race equality is to ensure that all the authority's communications in the form of publications, meetings, information and events are as accessible as possible to all Londoners.
- **Training staff on their duties under the Race Relations (Amendment) Act:** It is essential that all GLA staff have a good basic knowledge of the Race Relations (Amendment) Act and are given specialist knowledge relevant to their work, so that they can carry out their duties in accordance with their duty to promote race equality.

- **How the GLA intends to comply with its legal duties in its role as an employer:**
The authority will continue to look at issues around recruitment, retention, training and development, and progression within the organisation.

To begin to reap the economic benefits of diversity and to lead by example throughout the region, Yorkshire Forward now has a chance to build on its existing diversity work and seek to become a regional leader and exemplar in promoting diversity through new internal and external measures:

- It will establish, publish and meet transparent targets on Yorkshire Forward's efforts to promote a diverse workforce. Specifically, Yorkshire Forward will publish progress on employment levels, earnings gaps and occupational progression of women, those from ethnic minorities and people with disabilities within its own workforce.
- It will develop and support a workforce that reflects at all levels the diverse resident community of the Yorkshire & Humber region.
- It will publish an annual review setting out progress in the use and implementation of the legislation on race, disability and sex discrimination.

Better support for employers

This paper has shown how broad macroeconomic arguments pointing to the business benefits of diversity have been insufficiently effective in changing business behaviour. Yet this is not the same as saying that employers are not keen to be, and to be seen to be, promoting equal opportunities. On the contrary, more and more employers are adopting equal opportunities policies.

While this is a step in the right direction, evidence shows that relatively few companies take action to make those policies effective. The result is that many employers continue to have a limited understanding and awareness of the prevalence of discrimination. Often employers are unaware of what their legal obligations may be, what indirect discrimination actually looks like in practice, and how they may reformulate their business practices to ensure they are offering equality of opportunity for all. Effective support and guidance therefore have a vital role to play in helping employers realise the benefits of diversity.

Clearly, there is no shortage of initiatives to assist companies in developing effective anti-discriminatory business environments. The Advisory, Conciliation & Arbitration Service works with selected large employers and is now developing a website to provide information on diversity issues to all employers. The Commission for Racial Equality and

the Disability Rights Commission provide general guidance to employers on best practice in promoting race and disability equality in the workplace. Similarly, Investors in People is developing a diversity component that will specifically address race equality. What is less clear is their effectiveness in getting companies to turn their equal opportunities policies into reality.

Scope exists for a much greater focus on providing businesses with more direct, more accessible, on-the-spot business and diversity advice. The importance and effectiveness of such direct, active policies has already been recognised by government and has been used as a means of engaging with deprived groups in New Deal programmes. There is now an opportunity to extend this approach to businesses to provide them with more direct, on-the-spot, face-to-face information and advice on diversity issues.

Such an approach would require the establishment of highly skilled individuals with experience of human resources and diversity issues, who would aim to “connect” with as many businesses as possible. For an organisation like Yorkshire Forward, there is scope to develop such an expertise, and to target businesses within specific locations in the region with the offer of assistance in promoting workforce diversity (for instance, it would be prudent for such a service to focus on working with businesses in West Yorkshire, an area of high ethnic minority concentration).

The objective would be to provide help for businesses to improve recruitment and retention policies; to help implement flexible workplace practices; and to ensure that management and front-line staff have the competence to develop a diverse workforce. While there may be flexibility in the design and delivery arrangements for this service, the key factor is that such an initiative should use experienced staff who are credible with employers and who can influence the required changes in their human resources systems.

With its high level of credibility among the business community in Yorkshire & Humber, Yorkshire Forward is well placed to be at the centre of the design and delivery of such a service. The Better Deal for Business Framework – developed following a review of the way in which business support is provided and accessed in the region – improves access to business and skills support by providing a stronger “front of house” to the business support network through the Business Link brand.

This new framework offers a real opportunity to provide the kind of active, direct and accessible support services that businesses need in promoting diversity. The revised

regional economic strategy already commits the region to "assisting employers to ensure people have equal employment and advancement chances regardless of background (race, gender, age, deafness and disability)" and to "promote corporate social responsibility – including equality/diversity and environmental good practice". Consistent with these commitments, therefore, action will now need to be taken to ensure that business support services under the Better Deal for Business Framework reach out to regional businesses and actively provide information and advice on how they can go about promoting diversity.

Employer-to-employer networks

While improved, more direct support services for employers to understand the business benefits of diversity are necessary, employers are likely to be as interested, if not more so, in case studies of successful practice and in advice from other employers and industry groups, rather than messages from the government or the public sector. An opportunity exists for public bodies and business to work in partnership to develop employer-to-employer-based awareness raising of diversity issues and promotion of best practice.

Case studies that demonstrate how businesses can overcome barriers to taking on people from ethnic minority groups and/or people with disabilities would be a key element of such an initiative. Other important elements include:

- support for a network of diversity promotion, connecting businesses and organisations across the region to share good practice;
- support for regional conferences that will highlight the benefits of workforce diversity for businesses of different sizes and which should be run jointly with social partners and other, relevant business organisations; and
- providing and promoting across the region, through subregional networks, information about the benefits of workforce diversity policies.

A further vital element in promoting the economic benefits of diversity is business leadership. Strong leadership across sectors and industries, as well as within workplaces at all levels, is vital to ensure that race, sex and disability equality is a priority issue for all employers. The government has recognised the importance of business leadership on diversity and, in the 2005 Pre-Budget Report, asked a new commission of business leaders to advise on helping the private sector to tackle race discrimination in employment. The commission will report to the Chancellor in early 2007. Regional leaders in Yorkshire & Humber should monitor the publication of this report and, if possible, seek to implement its recommendations.

Driving change through procurement

Every year, the public sector spends more than £100 billion in procuring public goods, works and services. This gives the government an immense lever over its suppliers and contractors, and an opportunity to promote equality within the private sector and thereby increase employment opportunities for women, people with disabilities and ethnic minorities, as well as to encourage business growth among each of these groups.

Each year, Yorkshire Forward spends its budget of more than £300 million on projects and programmes that support the delivery of the regional economic strategy. The concept of using the purchasing power of public bodies to promote effective practice among employers and increase supplier diversity is not new. It has been suggested repeatedly by community leaders, academics and organisations including the Rowntree Foundation, the Better Regulation task force and the Commission for Racial Equality.

Indeed, the Race Relations (Amendment) Act 2000 places a legal duty on public authorities to eliminate unlawful race discrimination and to promote equality of opportunity, including through the use of public procurement.¹⁴ Equivalent legislation for a duty to promote disability equality has already been approved and has to be implemented by December 2006. The gender duty was introduced by the Equality Act 2006 and will come into force in April 2007.

Despite the potential power of public procurement as a lever to promote equality, to date there has been little systematic use of it to promote good practice in race equality. Indeed, the Commission for Racial Equality'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.¹⁵ This lack of progress has been attributed to several factors, including confusion over conflict with European Union law, the fear that adding equality compliance procedures to the tender process will set a precedent for other social and environmental conditions being introduced into the bidding process, and a lack of political will and effective leadership.

¹⁴ Since April 2001, when the Race Relations (Amendment) Act 2000 came into force, every major public authority has a statutory duty under section 71(1) of the Race Relations Act 1976 in carrying out its various functions (including procurement) to have due regard to the need to eliminate unlawful discrimination and to promote equality of opportunity and good relations between persons of different racial groups. In general terms the Race Relations Act 1976 duty means that public authorities must ensure that they are not spending public funds to support discriminatory practices but instead to promote race equality.

¹⁵ *Towards Racial Equality: An Evaluation of the Public Duty to Promote Race Equality & Good Relations in England & Wales* (Commission for Racial Equality, 2002).

Surveys have shown that when public bodies engage in procurement activity, they often see their overriding responsibility as seeking value for money above all other considerations. When public bodies do consider promoting equality, surveys show, the focus is on compliance with the obligation "not to discriminate" rather than on any duties to actively promote equality. This can mean that a valuable opportunity to *promote* equality is lost.

While value for money must always be a consideration for public-sector procurement, the government has made clear that this criterion does encompass social objectives.¹⁶ An increasing number of public bodies throughout the country have therefore begun to shape their procurement practices around both social and economic objectives, ensuring that through procurement, service providers promote equality regardless of age, disability, gender, race, religion and sexual orientation.

In the West Midlands, for instance, local authorities have worked together to develop a common standard for assessing whether council contractors meet the requirements of the Race Relations (Amendment) Act, the Disability Discrimination Act and the Sex Discrimination Act. This has led to a number of benefits, both for service providers and for local authorities themselves. For service providers, it has meant reduced red tape, because less paperwork is required at prequalification stage. Once a service provider has been shown to comply with equality legislation by a member authority, they will not need to provide the same information again (within a three-year review period) to any other authorities to which they seek to provide works, goods or services.

For the local authorities, there is significantly less duplication of paperwork, saving them valuable time. Approved firms would not need to be checked again for three years. A shared database also means that details of service providers approved under the common standard are available to all member authorities.¹⁷

The GLA works in close partnership with the agencies that provide it with goods and services and has therefore used procurement as a means to implement its duty to promote race equality. Three of the key objectives in the GLA's procurement strategy are that the GLA:

¹⁶ See Office of Government Commerce guidance.

¹⁷ Common Standards for equalities in public procurement, West Midlands Forum (http://www.cre.gov.uk/downloads/council_contracts.pdf).

- purchases goods and services only from suppliers who have a commitment to race equality of opportunities for their workforce and their customers;
- nurtures a wide range of small and medium-sized enterprises representing London's diverse communities, and encourages them to tender for GLA contracts; and
- secures fair employment terms and conditions of service for employees of contractors providing services and/or goods to the authority.

With this in mind, public bodies in Yorkshire & Humber now have an opportunity to step up their efforts to use procurement and public funding as a tool to promote diversity across the regional economy. Four elements lie at the heart of a modern, pro-diversity procurement strategy:

- Public bodies should commit to purchasing goods and services only from suppliers who have a commitment to gender, race and disability equality of opportunity for their workforce and their customers.
- Public bodies should use procurement as a tool to nurture a wide range of small and medium-sized enterprises, representing Yorkshire & Humber's diverse communities, and encourage them to tender for public contracts.
- Public bodies within specific local and/or regional boundaries need to collaborate and develop shared standards, data and information to drive greater efficiencies – for service providers and public bodies – in using procurement as a tool to generate equalities.
- An effective procurement strategy secures fair employment terms and conditions of service for employees of contractors providing services and/or goods to the public body.

Yorkshire Forward has a real opportunity, as a lead regional organisation that works closely with other public bodies, to work with and encourage other regional and local organisations to use their contracting powers to promote the public-sector duty to further equality through procurement. Combined with measures to ensure that public agencies lead by example, more effective advice and assistance for employers to develop non-discriminatory business environments, and measures to encourage employers themselves to lead the way in raising awareness about the business and economic benefits of diversity, regional leaders can make significant progress in ensuring that for the first time the Yorkshire & Humber economy begins to draw on the talents of all its people.

Improving supply

Just as private employers have a responsibility to do more to recruit from diverse pools, the public sector has a responsibility to develop effective services to help provide individuals with the skills and competencies employers need to succeed. Previous sections of this paper have highlighted the disadvantage experienced particularly by ethnic minority groups and people with disabilities in acquiring educational qualifications and skills (though this clearly does not explain the disadvantage experienced by women).

To reverse this will require action based on an understanding of the specific barriers faced by people with disabilities and ethnic minority groups, rather than resorting to single, blunt policies and solutions. The aim of such measures is to ensure that everyone is provided with the support they need to enable them to develop skills and find employment, whatever their circumstances and wherever they live.

Improving the supply side of the economy does not, however, imply a need for an overhaul of the government's programmes. On the contrary, the government has invested a lot of resources in developing a combination of flexible programmes that are designed to assist all groups in accessing economic opportunities. The recent Department for Work & Pensions green paper set out further measures. New initiatives are therefore likely to overload delivery systems that are already under considerable pressure. Wherever possible, policy makers should seek to build on what is already in place, and to ensure that these programmes have the flexibility to meet the needs of diverse groups.

The evidence presented in this paper has shown that, despite progress, there are still significant supply-side barriers – especially in terms of educational qualifications, skills and employment programmes – preventing people with disabilities and ethnic minority groups from accessing economic opportunities. This is seldom due to a lack of policy focused on tackling these problems. On the contrary, there is a significant and growing amount of attention being paid to ensuring that the education and skills system responds to the issues faced by people with disabilities and those from ethnic minority groups.

The issue for a regional development agency like Yorkshire Forward is how it can add value to this growing array of initiatives, to ensure that the supply-side barriers to diversity in the region are overcome.

In education, recent years have seen renewed attempts to address the attainment gaps for people with disabilities and ethnic minorities. For the former, there is now a range of

programmes to promote educational achievement in schools, including Removing Barriers to Achievement (the government's strategy for special educational needs), the schools access initiative, the extended schools programme, the Special Educational Needs & Disability Act (2001) and the Special Educational Needs Code of Practice (2001). For ethnic minorities, the 2005 schools white paper reaffirmed the government's commitment to raising ethnic minority attainment in schools, having already established a range of initiatives to boost achievement.

As with educational provision, there is no shortage of initiatives to ensure that people with disabilities and those from ethnic minority groups have access to developing the skills that employers need. Indeed, the key priorities of the Learning & Skills Council should have a disproportionately high impact on ethnic minorities and people with disabilities: increasing the nation's skills levels to increase competitiveness; reducing the number of people who lack basic skills in literacy and numeracy; and making training available to all sections of society. The LSC is committed to making itself a national equality and diversity exemplar through meeting the diverse needs of learners. Indeed, it places a contractual requirement on all of its providers to promote disability equality.

The government's commitments to full employment are in keeping with a growing body of evidence to suggest that even among groups traditionally seen as difficult to reach – like people with disabilities and specific ethnic minority groups – there is a clear desire to find work. Evidence has shown that, for instance, the proportion of economically inactive men with disabilities who would like to work is higher than the figure for those who are inactive but report no disabilities.

Likewise, the desire to work reported by those with mental illness is high, at 35.6%. This is important given the high proportion of this group who are inactive.¹⁸ Similarly, among specific ethnic minority groups traditionally associated with worklessness, such as women of Pakistani or Bangladeshi origin, evidence is also emerging of a desire to find work – under the right circumstances. Whereas conventional wisdom has long held that women from these communities choose to stay at home for cultural reasons, new research shows that attitudes within these communities are changing and there is a greater willingness to work.¹⁹

18 Prime Minister's Strategy Unit *Improving the Life Chances of Disabled People* (June 2004).

19 *Enterprising People, Enterprising Places* (National Employment Panel, 2005).

There is no doubt that the education, skills and employment measures outlined above have helped to improve the economic opportunities available to diverse groups throughout Yorkshire & Humber. Rates of employment for women, people with disabilities and ethnic minority groups have fallen, and this has helped drive the growth of the economy in recent years.

However, a number of recent reports analysing the government's efforts to improve levels of education, skills and employment among diverse groups have suggested that still more could be done to improve the supply side of the economy. Therefore, in seeking to realise the full benefits of diversity across the region, Yorkshire Forward intends to work with partners and develop new measures to ensure that key economic services across the region, especially in education, skills and employment, are responsive to the needs of all groups in the region.

Two broad sets of measures are proposed. The first are general principle-based measures that apply to the full range of education, skills and employment services in the region. They are designed to ensure that service providers go beyond their Race Relations (Amendment) Act obligations and actively promote the interests of all groups through greater engagement with diverse groups, improved monitoring and a greater focus on economic outcomes. The second are designed to respond to the specific needs of the region and/or specific diverse groups.

Cross-cutting measures

Proportionate participation

Although there has clearly been a growth in education, skills and employment provision for ethnic minority groups, people with disabilities and women, this has not in all cases led to a growth in the numbers of people taking advantage of that provision. We know, for instance, that only 9.5% of learners in Learning & Skills Council-funded provision have disabilities, although 20% of the working-age population have disabilities.²⁰

Because people with disabilities and ethnic minority groups are generally lower-skilled than others, they should benefit significantly from the government's commitment to providing free basic skills training, and training up to NVQ level 2. However, people with disabilities make up only 10% of the LSC's learners studying towards basic skills, NVQ level 1 or level 2 qualifications.

20 *Able to Work* (National Employment Panel's Employer's Working Group on Disability, January 2005).

The key lesson of this research is that regional partners will need to work together to assess whether diverse groups are participating, consistent with their representation throughout the population, in taking up the wide range of services on offer. Again, the aim of this exercise is to ensure that the regional economy is representative and mirrors the regional population.

This means that Yorkshire Forward should work with partners across the region to develop a clearer picture of the extent of participation of diverse groups in taking up key economic-based services across the region. For services to represent the interests of the regional population would mean that, at present, participation levels would resemble the following:

- 50% of people in education, skills and employment provision across the region would be women;
- 20% of people in education, skills and employment provision across the region would be classified as people with disabilities; and
- 8% of people in education, skills and employment provision across the region would be from an ethnic minority background (including 3% of Pakistani origin).

Promoting greater engagement

Research showing that disproportionately low numbers of diverse groups are participating in take-up of key provision across the region also implies that there needs to be a greater focus on ensuring that more people are encouraged to take advantage of the assistance already provided, rather than developing still further provision.

This is consistent with reports that have suggested the need to do more to engage groups that are neither working nor on benefit as a means to boost the numbers engaging in education, skills and employment programmes. The National Employment Panel has pointed to the high rates of economic inactivity among women of Bangladeshi (72%) or Pakistani (68%) origin – prominent groups in the Yorkshire population.

Given the region's relatively high number of people from Pakistani and Bangladeshi backgrounds, it is vital that action is taken to ensure that these communities are part of, rather than isolated from, the regional economy. This will require further improved, focused outreach activity. Regional leaders should therefore seek to work with partners to develop a well-planned and extensive outreach programme, targeted specifically at economically inactive ethnic minority adults and inactive people with disabilities, using

trusted intermediaries as a central component of the regional economic strategy.

Jobcentre Plus offices across the region have worked hard to forge partnerships with voluntary and community organisations to engage specific communities, particularly since the development of the ethnic minority outreach initiative in 2002. But evidence suggests that more could be done to ensure that:

- there is a greater focus on engaging the most disadvantaged (rather than those closest to the labour market) in order to tackle pockets of worklessness among specific communities;
- outreach workers are able to access and navigate key services to ensure that individuals can tackle specific barriers to the labour market; and
- outreach workers form strong partnerships with Jobcentre Plus and employers so that individuals can readily make the transition from inactivity to employment.

It is in the region's interests to ensure that these changes are made. Regional partners should take steps to ensure that these measures are taken as part of a broader improved outreach strategy targeted at those communities furthest from the labour market.

Group and regionally specific measures

English for speakers of other languages

Developing broad measures to ensure that key education, skills and employment services across the region promote proportionate representation of diverse groups, through greater outreach activity, will make an important contribution to improving the supply side of the economy. But greater monitoring and improved engagement alone may not be enough to help groups tackle barriers specific to them. For instance, for outreach activity to be effective among the region's population of those from Pakistani and Bangladeshi backgrounds, it will need not only to engage people from these groups, but also to help them to tackle the barriers that have prevented their inclusion in the economy.

Evidence shows that one of the key causes of inactivity among women of Pakistani or Bangladeshi origin, particularly first-generation immigrants, is a lack of competency in speaking English. Indeed, research has shown that 75% of women with Bangladeshi backgrounds who are over 25 years old are not fluent in English – a key barrier preventing their active participation in the economy. This therefore suggests that for some communities more effective outreach alone will not be enough: provision needs to be in place to ensure that training in English for speakers of other languages is available too.

The last five years have seen an unparalleled level of development in government provision of the teaching of English for speakers of other languages (ESOL). A national adult core curriculum for ESOL has been developed and published, the training of ESOL teachers has been extensively reviewed, and standards for ESOL have been established through the Qualifications & Curriculum Authority. This is in addition to the establishment of Skills for Life, the national strategy for improving adult literacy and numeracy skills.

While developments in the quality and consistency of ESOL provision have been impressive, efforts to understand the size, location and nature of ESOL demand have only recently begun. Having adopted proposals to improve outreach (see above), regional partners, particularly the Learning & Skills Council and Yorkshire Forward, should work together to ensure that the supply of ESOL, especially in West Yorkshire, matches demand. If evidence suggests a lack of supply, action will need to be taken given the critical role played in the workplace by linguistic fluency.

People with disabilities

Given the region's higher than average number of people with disabilities, action to promote economic opportunities for people with disabilities will have a disproportionately positive impact on the region. The government's recent green paper *A New Deal for Welfare: Empowering People to Work* (2006) sets out the latest thinking and proposes a series of measures to modernise the welfare state so that it responds to the needs of each individual.

The paper makes a series of recommendations to improve services for people with disabilities: to reduce the number of new claimants for disability-related benefits, especially incapacity benefit; to provide greater help for those on benefits to return to work; and, for the most severely sick and disabled, for more support to be provided.

At the heart of these ambitions are the Pathways to Work pilots, which provide a co-ordinated approach to addressing the barriers that people face when they have an illness or disability, rather than simply compensating them for the disadvantage they face. The pilots offer a dual approach to assistance, providing people with financial support while also facilitating their return to independence and the ability to earn the means to live. The government has pledged that by 2008 the Pathways to Work pilots will be extended across the country.

Because the region has a higher than average number of people with disabilities, it is especially important that regional policy makers work together to ensure that the changes set out in the green paper are implemented. The region will therefore need, at the earliest opportunity, to develop an action plan to deliver the key recommendations arising from an eventual welfare reform bill so as to ensure that the talents of the region's people with disabilities are maximised.

Women

Previous sections of this paper have shown that women are not afflicted by one of the key supply-side barriers for ethnic minorities and people with disabilities – lower than average rates of education and skills. In many ways, the barriers are more complex, reflecting differences between men and women in terms of labour market experience (both its length and the number of interruptions), part-time working, and occupational segregation.

There are other factors that influence women's labour market experience in a negative way. For example, part-time workers are constrained from taking up training and promotion opportunities, contributing to differences in skill levels between men and women and their ability to progress. The complexity of the issues led the Prime Minister and the Department of Trade & Industry to set up the Women & Work Commission to investigate women's disadvantage in the labour market.

Its report, published in February 2006,²¹ found that the UK economy would stand to benefit by up to £23 billion if barriers to women working in occupations traditionally dominated by men were lifted and women's participation in the labour market were increased. The report called on the government to:

- fund a £20 million package to enable women to change direction and raise skill levels, including offering free skills coaching and training programmes focused on women returning to work;
- introduce an initiative to promote quality part-time work;
- promote a localised approach to matching jobs and skills using community centres, schools and children's centres to recruit local women, to be piloted in five areas across the country; and
- provide support for the development and training of equality representatives.

²¹ *Shaping A Fairer Future* (February 2006).

The government has since responded to the report by committing to produce an action plan setting out what public services need to do "to achieve the progress that women deserve and the economy needs".²² To minimise duplication and ensure maximum efficacy, regional leaders should draw on the broad recommendations set out in the report, and the government's response, to address how they can work together to promote the interests of women in the regional economy.

22 <http://www.gnn.gov.uk/environment/detail.asp?ReleaseID=188855&NewsAreaID=2&NavigatedFromDepartment=False>

Summary of recommendations

Changing employer behaviour

To encourage more employers to turn their equal opportunities policies into a reality, a multifaceted approach is required, involving:

- public bodies leading by example and becoming regional exemplars in taking measures to promote diversity within their own organisations;
- the establishment of more effective advice and assistance for employers to develop effective anti-discriminatory business environments;
- measures to encourage employers themselves to lead the way in raising awareness about the business and economic benefits of diversity; and
- an enhanced procurement strategy, using the purchasing power of public bodies to promote effective practice among employers.

Public service reform

Just as private employers have a responsibility to do more to recruit from diverse pools, the public sector has a responsibility to develop effective services to help provide individuals with the skills and competencies employers need to succeed, involving general measures that apply to the full range of education, skills and employment services in the region, as well as action to respond to the specific needs of the region and/or specific diverse groups.

- To reverse the disproportionately low numbers of diverse groups participating in key provision, improved and greater levels of outreach activity will be required, engaging the most disadvantaged (rather than those closest to the labour market) and outreach workers forming stronger partnerships with regional employers.
- Having adopted proposals to improve outreach, regional partners should work together to ensure that the supply of English for speakers of other languages, especially in West Yorkshire, matches demand. If evidence suggests a lack of supply, action will need to be taken given the critical role played by linguistic fluency in the workplace.
- To ensure that the talents of the region's people with disabilities are maximised, an action plan should be developed to deliver the key recommendations arising from the welfare reform green paper.
- To promote women in the region, partners should draw on the recommendations of the Women & Work Commission's report, as well as the government's response, and seek to implement key recommendations at the earliest opportunity.

The Smith Institute

The Smith Institute is an independent think tank that has been set up to look at issues which flow from the changing relationship between social values and economic imperatives.

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