



Department for Business, Energy & Industrial Strategy Consultation: Ethnicity Pay Reporting

Response from AXA UK

About AXA UK

1. AXA UK (AXA) is part of the AXA Group, a worldwide leader in financial services. AXA Group operates in 62 countries with over 160,000 employees and 105 million customers. AXA has around 11 million customers in the UK and operates through specific operating companies – AXA Insurance and AXA PPP healthcare.

Executive summary

2. We currently have ethnicity data for some of our employees. However, in January 2019 we will voluntarily begin to collect ethnicity data more robustly to better understand ethnic diversity within our organisation and to promote a fairer, inclusive and more diverse workplace culture.
3. We would welcome an approach on ethnicity pay reporting that closely mirrors the method used for gender pay reporting. This strategy would reduce the burden on businesses and allow for the greatest ease of cross comparison across the two characteristics.
4. Diversity and inclusion is an integral part of everything we do at AXA, it is about bringing together the best talent, helping people to realise their full potential by being 100% themselves at work and delivering outstanding service – regardless of their differences. We therefore support ethnicity pay reporting as an important step towards a diverse and inclusive workplace.

Ethnicity pay reporting

Question 1: What are the main benefits for employers in reporting their ethnicity pay information?

5. AXA will start to collect ethnicity data more robustly in January 2019. The data will be added to an employee's HR record alongside the information we currently hold such as salary, role, geographic location and gender. We are starting to collect this quantitative data to better understand our ethnic population and to be able to create an action plan to address any inequalities of opportunity. We hope the process of collecting and reporting data on ethnic groupings will make our business leaders and our employees more aware of the ethnic makeup of the organisation's workforce.
6. Reporting is likely to encourage business leaders to approach the topic of ethnic diversity more seriously and reporting by large companies, such as AXA, may provide a catalyst for the shifting of societal attitudes towards ethnic minorities.
7. Alongside reporting we would publish a transparent action plan with targeted areas to improve, meaning that we can track our own progress and be held to account.
8. We recognise that the collecting and reporting of ethnic pay information aligns with our diversity and inclusion strategy to ensure that AXA is as representative as the diverse customers we serve, at every level.



Question 2: What type of ethnicity pay information should be reported that would not place undue burdens on business but allow for meaningful action to be taken?

- a) **One gap figure comparing average hourly earnings of ethnic minority employees as a percentage of white employees**
 - b) **Several pay gap figures for different ethnic groups, using standardised ethnicity classifications**
 - c) **Ethnicity pay information by £20,000 pay band**
 - d) **Ethnicity pay information by pay quartile**
 - e) **All of the above**
 - f) **Other**
 - g) **Don't know**
9. We would prefer ethnicity pay reporting to mirror as closely as possible the current approach taken for gender pay gap reporting (Option F). This would mean organisations reporting one pay gap figure comparing average hourly earnings of ethnic minority employees as a percentage of white employees (Option A) plus ethnicity pay information by pay quartile (Option D). This would also require organisations to explicitly report on the bonus ethnicity pay gap and the proportion of employees of the different ethnic classifications receiving bonus payments.
10. Whilst gender pay gap reporting is complex and has some areas of potential improvement, we would still favour mirroring this approach in reporting to allow for the greatest ease of comparison across the two categories, reducing the potential for end-user confusion. It would also minimise the burden of collecting and processing pay data.
11. Reporting by pay quartile has the benefit of providing a view of an organisation's ethnic minority representation in its hierarchy. We believe it will allow employers to consider where ethnic minorities are concentrated in terms of pay and identify any barriers to progression. This will as a result facilitate clearer and more targeted action plans.
12. We believe it is unlikely that organisations will have the sufficient population sizes to make reporting several pay gap figures for different ethnic groups viable, whilst ensuring data is non-identifiable. Using this method to report externally would significantly complicate reporting and could cause the undesired outcome of conflict within a workplace's BAME community.
13. However, we recognise that ethnic minorities are not one homogenous group; external research¹ highlights that there are likely to be significant variances in the pay of different ethnic groups. Therefore, if we have sufficient population sizes, we intend to internally examine the pay trends for each different ethnic group.

Question 3: What supporting or contextual data (if any) should be disclosed to help ensure ethnicity reporting provides a true and fair picture?

14. In accordance with the current approach to gender pay gap reporting, businesses should be given the flexibility to contextualise the core disclosures as they see fit, rather than being mandated to do so. Companies may wish to disclose contextual data such as geographical location and their respective talent pools.
15. The reasons for any pay gap can be complex and caused by a wide range of factors, therefore we suggest that the regulations should replicate those used for gender pay gap reporting; allowing employers to write a narrative and an action plan.



Question 4: Should an employer that identifies disparities in their ethnicity pay in their workforce be required to publish an action plan for addressing these disparities?

16. AXA firmly believe that – regardless of results – employers must take ethnicity pay seriously by producing an action plan to address the ethnic disparities within their organisation. Therefore, we would be supportive of Government requiring employers to publish an action plan.
17. We would support the idea that organisations that are required to report but are unable to, due to a lack of sufficient representation of ethnic groups in their workforce, should still be required to report on measures they are taking to improve ethnic representation within their workforce.

Ethnicity data and classifications

Question 5: Do you currently collect data on ethnicity at your workplace? If yes, do you use standard ethnicity classifications for reporting? If so, which ones?

- a) 2011 census: 5 standardised ONS ethnic classifications
- b) 2011 census: 18 standardised ONS ethnic classifications
- c) 2001 census: 5 standardised ONS ethnic classifications
- d) 2001 census: 16 standardised ONS ethnic classifications
- e) Other (please state what classifications you use)
- f) Don't know

18. AXA will begin to collect ethnicity information more robustly in January 2019 to better understand our ethnic population and if there is pay inequality. We will be collecting data classified against the 18 ethnic groups used by the 2011 Office of National Statistics Census (option B). Collecting data in granular categories is useful for internally examining the pay trends of different ethnic groups, however we would not publicly report on this data due to the reasons expressed in Question 2.

Question 6: What do you think are the most effective approaches for employers to improve employee self-reporting or declaration rates?

19. To improve declaration rates, we will communicate to our employees the reasons why ethnic data is being collected, explain how the collected data will be protected from improper use or disclosure and clearly outline the proposed uses of this data. We will also be open and transparent when reporting our findings.
20. The actions we will take once the data has been collected will include analysing ethnic data to better understand representation across pay levels and geographical areas. Depending on the results of the data collected, we may consider whether to take action through methods including changes in recruitment policies, mentor and sponsorship schemes and/or ally initiatives.

Question 7: How should self-reporting or non-disclosure rates be reflected in the information reported by employers?

21. AXA is supportive of self-reporting or non-disclosure rates being presented as a percentage of the total workforce.



22. The level of non-disclosure is arguably a good indicator of workplace culture and whether employees trust their employer to use their data appropriately.
23. The level of non-disclosure may also indicate to an employer that their employees are unable to identify themselves within the categories provided to them. Firms should therefore be encouraged to use the 2011 ONS 18 classifications (or the more detailed classifications expected in 2021 if they are available), to ensure employees can identify themselves and are encouraged to self-disclose.

Question 8: For a consistent approach to ethnicity pay reporting across companies, should a standardised approach to classifications of ethnicity be used? What would be the costs to your organisation?

24. AXA is in favour of a standardised approach given that cross-organisational comparability and monitoring would be one of the key benefits of ethnicity pay disclosure. Consistency of classifications will facilitate the engagement of external audiences in the process by ensuring they can compare like for like and accurately understand the progress firms are making.
25. The reporting of one pay gap figure is likely to help organisations who already collect ethnic data as it is unlikely to require reclassification.

Question 9: Please outline steps that should be taken to preserve confidentiality of individuals

26. Organisations should already have in place effective systems, processes and governance to protect confidential employee data. At AXA, we use a HR system, provided by Oracle, to securely capture and store data. Access to this system is strictly controlled and access to personal data held in this system is limited.
27. The key concern to consider is at what point does ethnic group sample size result in data becoming identifiable. AXA believes this point should be set centrally by the Government after analysis through thorough scenario modelling.

Next steps and government support for employers

Question 10: What size of employer (or employee threshold) should be within scope for mandatory ethnicity pay reporting?

28. Again, we would favour the approach which mirrors the gender pay gap reporting and would therefore recommend employers with 250+ employees (option C) are within scope for mandatory reporting.
29. However, should the reporting require companies to use a large number of classifications and report across all of them, companies (even of 250+) may not have sufficient ethnic group populations to provide full disclosure whilst ensuring the data is anonymous. If the reporting requires our proposed reporting suggestion of mirroring the gender pay gap (as outlined in response to Question 2), then we believe most companies with 250+ employees should be able to report meaningfully whilst protecting the identity of their employees.

Question 11: What support measures do you think would be useful for employers?

30. The Government should provide clear guidance with minimal scope for interpretation.



31. AXA would welcome a Government approach to ethnic and gender pay gap reporting that mandates organisations to report base pay as opposed to a figure minus reductions for employee choice (e.g. salary sacrifice). This approach would remove an element of volatility from year-on-year comparisons, particularly as salary sacrifice rules are subject to frequent review.
32. We would welcome best practice guidance for organisations on improving self-reporting rates. Providing this guidance is especially important considering that many firms are unexposed to collecting ethnicity data.
33. We would also be supportive of clear guidance for organisations on how to effectively communicate their ethnicity pay reports, the reason for any disparities and an action plan for resolving them.
34. An important area for firms to balance is providing meaningful reporting whilst protecting the confidentiality of ethnicity data. We believe that Government should provide guidance on the appropriate size of ethnic group samples, we would therefore be supportive of a minimum threshold set centrally by the Government.

If you need to get in touch regarding the information in this submission, please get in touch with Public Affairs Executive, Jonathon Murphy, at jonathon.murphy@axa-uk.co.uk or on 07866032309.

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/686071/Revised_RDA_report_March_2018.pdf