

## Inclusive Growth Analysis Unit

# Addressing Ethnic Inequalities in the Greater Manchester Labour Market

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### Key points

- Action on inclusive growth must be informed by an understanding of who is not currently included and why.
- The UK labour market is characterised by ethnic disparities which are unjust and affect productivity and future growth prospects.
- All BME groups in GM are less likely to be employed than White people. Pakistani and Bangladeshi people, especially women, are least likely to be employed.
- The reasons are complex. They include employer practices such as discrimination and workplace culture, concentration in low paid and precarious sectors, education and information, low labour demand and different gender norms.
- Addressing these inequalities therefore needs local leadership, working with communities and employers.

### Introduction

Debates about inclusive growth have tended to concentrate on how to create a more inclusive economy, without giving particular attention to *which* people are not currently included and why. However, as the UK government's recent Race Disparity Audit<sup>2</sup> confirms, there are substantial differences in labour market participation and outcomes between people from different ethnic groups.

This isn't just a question of fairness. McKinsey (2015)<sup>3</sup> has shown that greater diversity leads to more profitability, while the McGregor-Smith review (2017) found that there is an annual loss of £24 billion as a result of under employment of the Black and Minority Ethnic (BME) population.<sup>4</sup> Additionally at a time when national politicians and media outlets are focusing on community cohesion, international evidence shows that the workplace is the best site of integration.<sup>5</sup>

This briefing presents some of the key statistics about ethnic inequalities in the Greater Manchester labour market, draws on a wider evidence base to understand what causes these and how they might be addressed, and suggests some of the things that might be done locally to contribute to greater equality.

<sup>1</sup> Farah Elahi was a research and policy analyst at the Runnymede Trust when this briefing was written.

<sup>2</sup> Cabinet Office (2017) Race Disparity Audit: Summary Findings from the Ethnicity Facts and Figures website

<sup>3</sup> McKinsey (2015) *Diversity Matters*

<sup>4</sup> McGregor-Smith, R. (2017) *Race in the workplace: The McGregor-Smith Review*, DBEIS

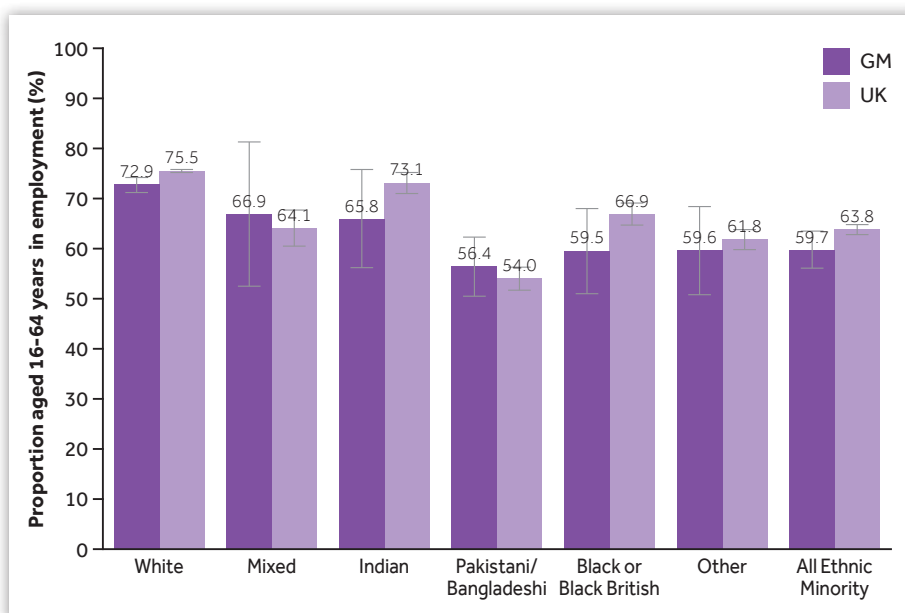
<sup>5</sup> Haque, Z. (2010) *What Works with Integrating New Migrants?* London: Runnymede.

## Ethnic Inequalities in the Greater Manchester Labour Market

Greater Manchester is a diverse city-region and becoming more so. Its current BME population is 16% but this rises to 21% among the 16-24 year old population, and 26% among those 15 and under. Local authorities with the highest proportions of BME people are Manchester (33%) followed by Oldham (22%) and Rochdale (18%).<sup>6</sup>

The largest single minority ethnic group is of Pakistani heritage (5% of the population). The small numbers of people in some groups means that they tend not to be visible in sample surveys, or their numbers are too low to generate reliable statistics. This means that we often have to report on the BME population as a whole, or broad groups like "white other" or "mixed". These do not capture the variations and nuances between and within groups.

In 2016, all BME groups in Greater Manchester were less likely to be employed than White people. Overall there was a 13 percentage point gap between the two groups. Pakistani and Bangladeshi people were the least likely to be employed (Figure 1). Small sample sizes for many groups in GM mean that estimates are subject to large confidence intervals, shown in Figure 1. However, UK data and 2011 Census data show a similar pattern, meaning that we can be confident that BME employment rates are lower, just not exactly by how much.



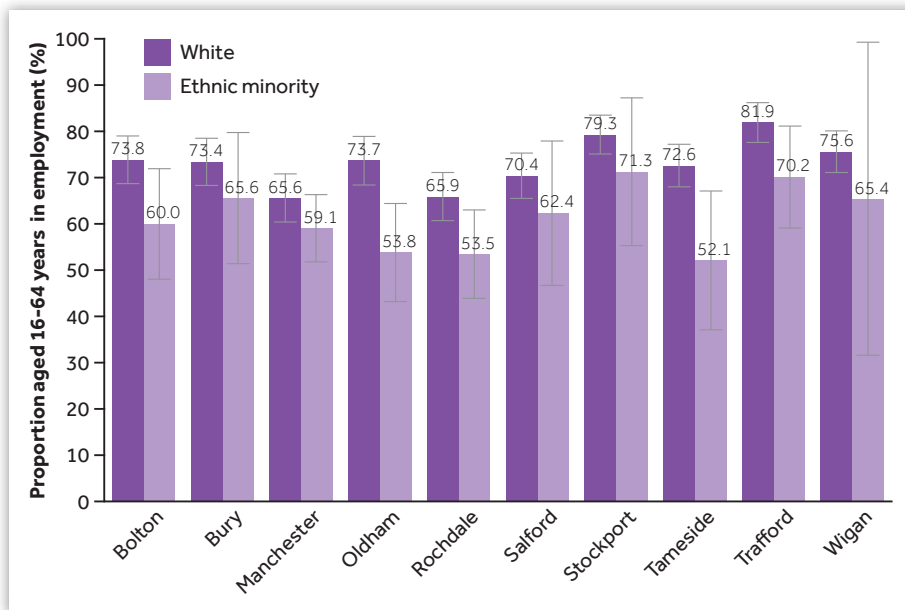
**Figure 1:**  
*Employment Rates by Ethnicity, Population Aged 16-64 (2016)*

Source: Annual Population Survey

In 2016, BME people overall had lower employment rates than White people in all GM local authority areas. However, there were spatial differences (Figure 2). BME people overall were most likely to be employed in Stockport (72%) and least likely in Tameside (52%). In terms of inequality, gaps between White and BME people were largest in Oldham and smallest in Manchester. Confidence intervals are large, as Figure 2 shows. However, similar patterns are shown in the 2011 Census suggesting that the overall picture is correct if not the exact estimates.

Patterns vary by gender and ethnic group. For men in GM in 2016, the BME employment rate was 6 percentage points below that for White men. Pakistani/Bangladeshi men in GM had a relatively

<sup>6</sup> Office for National Statistics, 2011 Census. [www.ons.gov.uk/census/2011census](http://www.ons.gov.uk/census/2011census)

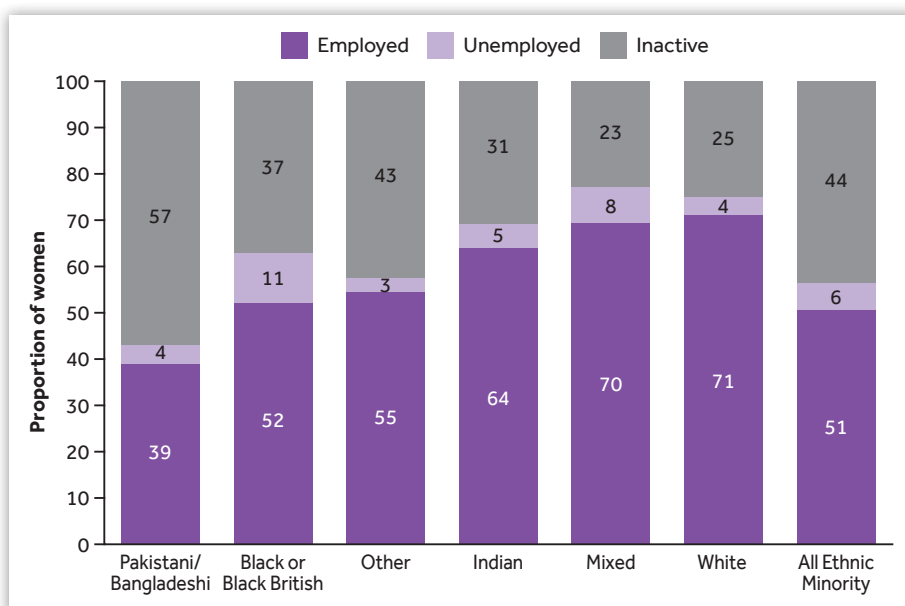


**Figure 2:**  
*Employment Rates for Local Authority Areas in GM, Population Aged 16-64 (2016)*

Source: Annual Population Survey

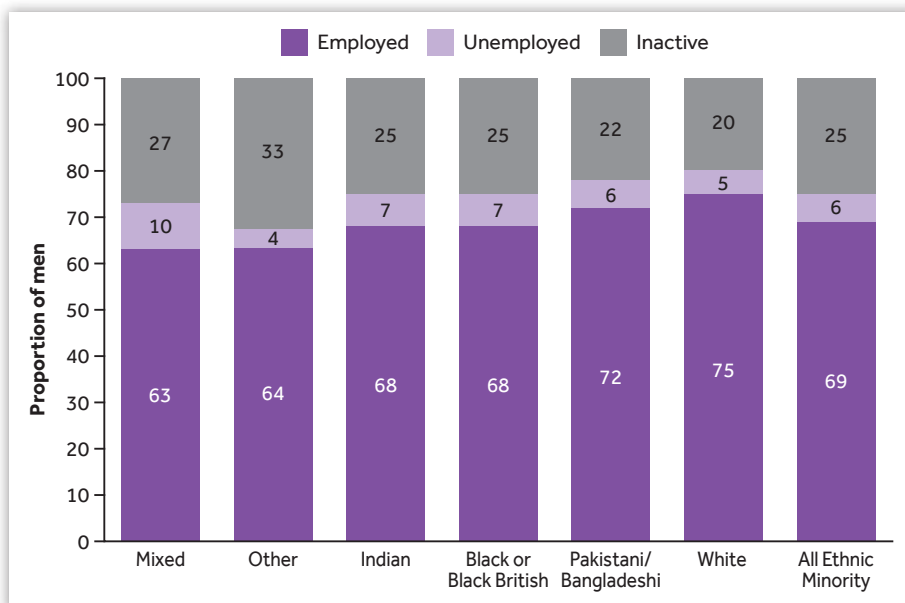
high employment rate, at 72% just 3 percentage points below that of white men. Gaps between BME and white employment rates were more pronounced for women. For Pakistani/Bangladeshi women, the employment rate was 39% (compared with 72% for men) and the gap with White women 32 percentage points. Black women (52%) were also considerably less likely to be employed than Black men (68%), while for White men and women, this gap was just 4 percentage points.

Black and Mixed women experienced the highest unemployment rate, almost three times and two times as high (respectively) as the unemployment rate for white women. Economic activity rates also varied between groups, particularly for women (Figures 3 and 4). Women of all minority ethnic groups except Mixed had higher rates of economic inactivity than White women and this was particularly the case for Pakistani/Bangladeshi women. Nationally Black Caribbean and White other women are less likely to be inactive compared to White British women, however because of small sample size this pattern is not visible in the Greater Manchester data set.



**Figure 3:**  
*Economic Status of Women Aged 16-64, by ethnic group (2016)*

Source: Annual Population Survey. Note: Estimates are based on small sample sizes and have wide confidence intervals, so small differences in estimates cannot necessarily be relied upon.



**Figure 4:**  
*Economic Status of Men Aged 16-64, by ethnic group (2016)*

Source: Annual Population Survey. Note: Estimates are based on small sample sizes and have wide confidence intervals, so small differences in estimates cannot necessarily be relied upon.

## Findings of Wider Research

Ethnic inequalities in the labour market affect not just employment rates but the kinds of jobs people get, levels of self employment and job insecurity and career progression. For instance, BME communities are more likely to be concentrated in low wage and/or low skilled sectors, or alternatively high skilled occupations associated with self-employment (Catney & Sabater, 2015).<sup>7</sup> Brynin and Longhi (2015)<sup>8</sup> found that BME workers are relatively more likely to be the most poorly paid and in the lowest-paying types of job – for example, jobs in sales, catering, elementary personal services, hairdressing and textiles. This sectoral distribution, which is most acute for Pakistani and Bangladeshi groups, accounts for more of the difference in earnings between ethnic groups than inequality in pay between people doing the same work. Differences in earnings, alongside differences in employment rates, affect rates of in-work poverty and income inequalities between ethnic groups, which are large. Recent research shows that typical Bangladeshi household incomes are £8,900 a year lower than the White British median; Pakistani households £8,700 less and typical Black African households £5,600 less.<sup>9</sup>

These ethnic penalties should not be attributed to deficit narratives that position BME communities as lacking. Entering the labour market is a two way process, affected by the attitudes and practices of employers and supporting institutions not just job seekers and employees.

Extensive research has highlighted the persistence of **discrimination** and racism in employment: including direct discrimination, indirect discrimination, harassment and victimisation, with the result that BME people remain more likely to be unemployed, to work in low wage jobs, and earn less over their lifetimes, even where they have strong qualifications. Employers discriminate against people from different ethnic backgrounds because they believe they are "different". An authoritative CV

<sup>7</sup> Catney, G. & Sabater, A. (2015) *Ethnic Minority Disadvantage In The Labour Market: Participation, Skills and Geographical Inequalities*, York: Joseph Rowntree Foundation

<sup>8</sup> Brynin, M. and Longhi, S. (2015) *The effect of occupation on poverty among ethnic minority groups*, York: Joseph Rowntree Foundation

<sup>9</sup> Corlett, A. (2017) *Diverse outcomes: Living standards by ethnicity*, London: Resolution Foundation

study carried out by the Department for Work and Pensions<sup>10</sup> found that BME candidates with otherwise identical qualifications and experience had to send almost twice as many CVs to get a positive response compared to applicants with a white British sounding name. Other research has revealed the assumptions made about individual applicants based on racial stereotypes. Examples include assuming that BME candidates lack confidence or the findings of one survey that BME women were three times as likely as white women to be asked about their marriage/children at job interviews (Botcherby, 2006).<sup>11</sup>

Discrimination can persist within employment, affecting workplace culture, training opportunities and progression, as unconscious bias affects a wide range of social interactions and interpersonal decisions.<sup>12-14</sup> Although many employers have equal opportunities policies, this does not automatically translate into the will or ability to introduce substantive practices that impact institutional norms or increase access. There is also a further effect on BME community perceptions of the types of sectors that they are willing to apply to.

Other factors include levels of labour demand in the places where BME people live, education, advice and information and differences in gendered experiences. As Figure 2 shows, in general, BME employment tends to be higher where White employment is higher, suggesting that factors like local labour demand, transport links and affordability have an influence. If BME communities are concentrated in areas of low **labour market demand** (for example former industrial towns that have experienced decline), their employment prospects will be weaker. Neighbourhood factors may also be important. Overall, twice as many BME people live in deprived neighbourhoods across England than do elsewhere (Barnard and Turner, 2011).<sup>15</sup> In the last Census more than one in three people from Bangladeshi and Pakistani groups lived in a deprived neighbourhood, compared to fewer than one in twelve in the White British group. Clark and Drinkwater (2007)<sup>16</sup> found that this can have a negative impact on employment prospects, in particular for BME people. Neighbourhood deprivation and unemployment mutually interact with each other. So neighbourhood deprivation may restrict labour market opportunities and therefore lead to higher levels of unemployment, but also higher levels of unemployment (e.g. as a result of discrimination) or economic inactivity for minority groups can lead to neighbourhood deprivation.

**Good careers advice and information** is crucial for both young people and adults to succeed in the labour market. All ethnicities rely heavily on social networks for informal advice, however, this advice might be limited among groups that have high levels of unemployment or concentration in low-paid sectors, or self-employment. This has an impact on the routes to employment that BME individuals feel they can access, as well as their ability to progress within their sector. The disparity in social and cultural capital manifests early on during school when individuals have to make subject choices and plan routes to higher education or alternatives, and continues within employment where it is necessary

<sup>10</sup> Department for Work and Pensions (2006): 'Talk on Trial – Job interviews, language and ethnicity'. Available at: <http://webarchive.nationalarchives.gov.uk/20130128102031/http://research.dwp.gov.uk/asd/asd5/summ2005-2006/344summ.pdf>

<sup>11</sup> Botcherby, S. (2006) *Moving on Up? Pakistani, Bangladeshi and Black Caribbean women and employment survey*. Manchester: Equal Opportunities Commission.

<sup>12</sup> McGregor Smith, R. (2017), *The Time For Talking Is Over: Now Is The Time To Act*. Department for Business, Energy & Industrial Strategy.

<sup>13</sup> Rooth, D-O. (2010). *Automatic associations and discrimination in hiring: Real world evidence*. Labour Economics, Volume 17, Issue 3, Pages 523–534.

<sup>14</sup> Business in the Community (2016), *Equality, Diversity and Racism in the Workplace: A Qualitative Analysis of the 2015 Race at Work Survey*.

<sup>15</sup> Barnard, H. and Turner, C. (2011) *Poverty and ethnicity: A review of evidence*. York: Joseph Rowntree Foundation

<sup>16</sup> Clark, K. and Drinkwater, S. (2007) *Ethnic Minorities in the Labour Market: Dynamics and Diversity*. Bristol: Policy Press/Joseph Rowntree Foundation

to progress on the career ladder. The persistence of disparities in social/cultural capital and its subsequent impact raises questions about transparency and the absence of roadmaps. For new or first generation migrants these particular barriers are more acute. Recent migrants face barriers including: language, lack of recognition of qualifications and work experience gained abroad.

**Education** is a factor. There have been recent reductions in educational inequality between ethnic groups and among young people BME individuals are more likely to participate in higher education than White British individuals. However the majority of the BME workforce will have left school prior to this shift so it will take some time before we see the expected positive effect on labour market outcomes. Outcomes also still remain unequal in terms of degree attainment and employment<sup>17</sup> despite higher participation rates. Additionally, migrant BME communities continue to face challenges with qualifications not being recognised within the UK.

**Gender differences** are striking in the data shown earlier. These have multiple explanations, including, for younger BME groups, higher rates of participation in education. They partly reflect differences among ethnic groups in rates of looking after home and family. In the 2011 Census, 'Looking after home or family' accounted for a higher than average reason for inactivity amongst women who were Bangladeshi, Pakistani and Gypsy or Irish Traveller. Attitudes are changing: analysis carried out by Demos<sup>18</sup> found that amongst Muslim<sup>19</sup> women there was a significant shift between generations on attitudes towards gender and work. Muslim women aged 16-24 were half as likely to agree with the statement 'wives should stay at home' when compared to Muslim women aged 55 or older. There is also a difference in attitudes amongst British born Muslim women and Muslim women born outside the UK.<sup>20</sup> The cost of childcare may also be a factor, given the concentration of BME people in low wage sectors, and also in cities, where the cost of childcare is on average higher. Families can be worse off working if their wages do not cover childcare costs. There is also evidence of additional gendered discrimination that some BME women experience. Runnymede Trust research found that Black African women felt their experiences and qualifications were valued less than those of white women.<sup>21</sup>

## Addressing ethnic inequalities in the labour market

There is a lot of resource and resilience amongst BME communities and people have succeeded in spite of the barriers discussed in the previous section. Nevertheless, there is a need for action to address continuing inequalities. Interventions to tackle labour market disadvantage take various forms. Policies can focus on wider social issues that affect unequal labour market outcomes: educational inequalities, social discrimination, racial inequalities in the criminal justice system, English language provision for recent migrants; or they can focus directly on the labour market. Here we focus on labour market interventions.

### Employer Practices

Recruitment processes are a significant source of discriminatory outcomes and thus making changes to these processes is crucial in challenging ethnic inequality. There are a number of ways in which this can be done, and particular interventions will be more or less suitable for different industries/

<sup>17</sup> HEFCE (2015) *Differences in employment outcomes: Equality and diversity characteristics*. Available at: [http://www.hefce.ac.uk/media/HEFCE\\_2014/Content/Pubs/2015/201523/HEFCE2015\\_23.pdf](http://www.hefce.ac.uk/media/HEFCE_2014/Content/Pubs/2015/201523/HEFCE2015_23.pdf)

<sup>18</sup> Reynolds, L., Birdwell, J. (2015) *Rising To The Top*. London: Demos

<sup>19</sup> The majority of Bangladeshi and Pakistani people identify as Muslim and it is being used as a proxy here.

<sup>20</sup> Rutter, J. (2016) *2016 Childcare Survey*. London: Family and Childcare Trust

<sup>21</sup> Runnymede Trust (2012) *Ethnic Minority Female Unemployment: Black, Pakistani and Bangladeshi Heritage Women*. London

organisations. The crucial thing is for an organisation to analyse their processes, make relevant changes to processes and monitor outcomes to measure success. Approaches include:

- Monitoring all hiring, promotion, disciplinary and pay decisions by ethnicity. The 2010 Equality Act provision for all employers over 250 employees to publish gender pay gap data. This should be extended to ethnicity gap data too.
- Ensuring interview panels have at least one BME interviewer. If necessary, this may require outside interviewers (with adequate support).
- A presumption in favour of one BME person on every shortlist, especially for graduate positions where around 1 in 4 people are Black and minority ethnic.
- Race equality training, including on unconscious bias. Business in the Community has found that employers that provide training have better outcomes for BME employees. Training on unconscious bias needs to be ongoing and done in multiple ways.
- Monitoring appraisal and promotion procedures, and disciplinary and complaint procedures by ethnicity and taking action to ensure that line managers are equipped to effectively manage all members of their staff.
- Tackling the under representation of women in particular occupations and avoiding gendered stereotypes. Increasing opportunities for flexible working

## Local Action

In addition to action by individual employers, broader place-based interventions can also help including both those that target BME people specifically and those that improve fairness for everyone in the workplace. Using local data to derive locally based solutions which can link directly to local labour markets is important particularly for those groups whose representation in the unemployment figures or low paid sectors could go unnoticed in view of their size in the local area.

### Local interventions can include:

- Monitoring ethnic disparities and setting targets.
- Working with employers including highlighting the productivity gains to be made by supporting the progression of low paid workers.
- Working with employers, schools, colleges and community groups to improve information and advice about careers in roles in which BME people are often underrepresented.
- Linking initiatives to increase BME employment to strategies for meeting employment and skill needs in growth sectors.

In order to tackle higher inactivity rates amongst BME women there should be a focus on facilitating choice. Actions may include increasing provision of high quality childcare, increasing mentoring for young BME women and working with parents to challenge ideas around gender and raise awareness available opportunities. The BME third sector can help facilitate outreach strategies for working with different BME communities to address access to work and how to move out of low pay. However, this requires adequate resource and support for the voluntary sector.



## What could be done

### **The Mayor and Combined Authority could:**

- Establish regular monitoring (a local Race Disparity Audit and/or ethnic breakdowns of the key indicators in the GM outcomes framework)
- Create employment targets for those groups most systematically disadvantaged.
- Establish some 'task groups', with suitable BME representation, to develop responses to some of the key issues raised in this briefing.
- Make fair recruitment practices part of any new 'good employment standards' for GM.
- Ensure compliance with the Equality Act, particularly the Public Sector Equality Duty
- Review and dismantle barriers to the take up of apprenticeships by BME groups.
- Work with schools, colleges and the VCSE sector to develop mentoring and advice and guidance programmes for BME young people and parents.
- Identify key information gaps, for example on ethnic pay gaps and the specific issues facing smaller or more recently arrived communities, and develop plans to fill them.

### **GM public sector institutions could take the lead in:**

- Auditing their BME recruitment, retention and progression rates, disciplinary and complaint procedures and pay gaps.
- Providing work placements and mentoring programmes for underrepresented groups.
- Providing race equality training for all staff.

### **The LEP and business representative bodies could:**

- Develop strategies for increasing BME employment in relation to development of key growth sectors and strategies for meeting skill shortages.
- Publicise the business case for diversity of employment and publicise good practice.
- Form a pool of representatives available to increase the diversity of recruitment panels.

## How to find out more

This is the seventh in a series of policy briefings exploring how to promote inclusive growth in the context of devolution. Others can be found on IGAU's website: [www.manchester.ac.uk/inclusivegrowth](http://www.manchester.ac.uk/inclusivegrowth) along with a supplementary paper containing more statistics on ethnic disparities in the labour market. We are grateful to the Greater Manchester BME network (particularly their Chair, Atiha Chaudry) for their support and advice in the production of this paper and to network members who attended a consultation event on the draft paper.

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