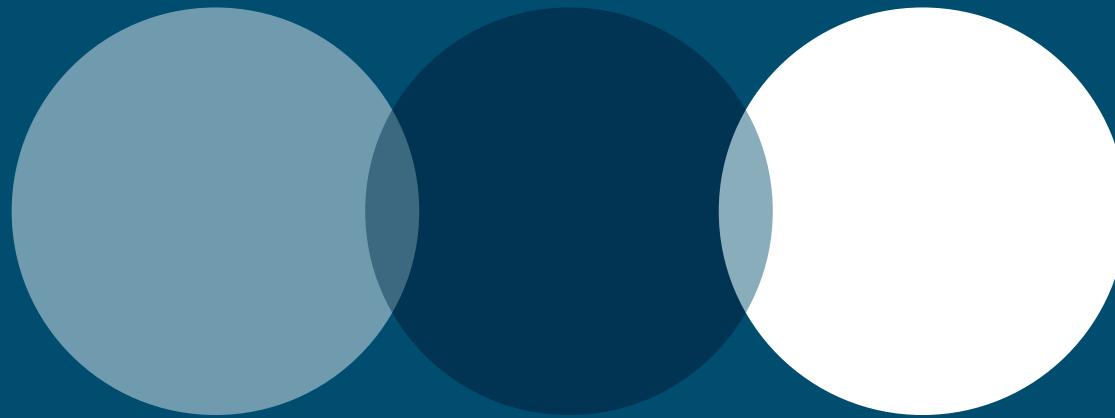# Ethnicity pay gap report 2020

This report is prepared on behalf of Network Rail Infrastructure Limited, a member of the Network Rail Group of companies owned by Network Rail Limited.

Network Rail's ethnicity pay gap has been calculated in accordance with Government regulations for calculating gender pay gaps. The report is based on snapshot data as of 31 March 2020.

Andrew Haines
Chief executive

Pauline Holroyd
Group HR director

This is the second year in a row that we are voluntarily publishing our ethnicity pay gap report. Releasing this data is a critical step in recognising where we must do more to create a fair and diverse community for our colleagues.

We look back on 2020 with some sense of pride. Pride in the work we have done to increase the proportion of black, Asian and minority ethnic (BAME) colleagues in our organisation, from 8.8 per cent last year, to 9.1 per cent, particularly in our higher paid roles. And pride in the positive impact this has had on our ethnicity pay gap, reducing it to five per cent this year. Whilst this is a 2.3 per cent decrease from last year, and we know we are going in the right direction, we have more work to do.

Our Race Matters project is helping us to better understand the barriers BAME employees and candidates face and what we need to do to level the playing field. To do this, we must first understand the root cause of the issue, so that we are better able to fix any systemic problems at the source. A tremendous amount of work has gone into trying to understand more about how our internal processes and procedures could be negatively impacting our BAME colleagues.

The increased visibility of the Black Lives Matter movement this year has reinforced why this project is crucial. It is so important that we create the right, inclusive environment to attract the right talent from all backgrounds and allow them to bring their best self to work.

Whilst the proportion of BAME colleagues in our organisation has increased this year, they are still underrepresented. This has to change. So, we have set ourselves the target of having a workforce that is made up of at least 13 per cent BAME colleagues by the end of 2024. We want to be clear that this is just the starting point, and we will review our target after the next national census in 2021. The census will show the latest percentage of BAME people across England and Wales, which will help us to make sure that we align our targets effectively, so that our workforce is truly representative of the communities we serve.

This year we have also looked at the intersectionality between race and gender. Our data indicates that even greater disadvantages are faced by our female colleagues who are BAME. We have started digging deeper into this through our focus groups and reviewing our processes and systems to uncover any conscious or unconscious biases, so that we can begin to address this and create a fairer working environment.

All of this work and the information we gather provides valuable insight into the specific areas we need to address to make our workplace fairer and more inclusive. A place where everyone feels welcome and able to be their best.

While we look to increase the proportion of BAME colleagues at Network Rail, we are likely to see our ethnicity pay gap fluctuate. Creating a truly diverse workforce means hiring more BAME colleagues at every level of the business, and some years this may have an adverse impact on our ethnicity pay gap. But having a diverse workforce is absolutely critical, and this must be our focus. It enables us to better understand our customers' needs, allows us to think in new and different ways and to approach problems differently to help deliver and perform better.

Over the next year, the whole executive leadership team have committed to taking part in reverse mentoring with colleagues from diverse backgrounds, of differing race, gender and disability. This will give them unique and valuable insight into what it is really like to work at Network Rail if you are from different backgrounds. The leadership team is committed to making our organisation an inclusive place to work where people from all walks of life can thrive.

Ethnicity pay gap

Unlike the gender pay gap, large organisations are not yet legally required to publish their ethnicity pay gap. However, we believe it is important to be transparent, so this is the second consecutive year that we have voluntarily published our ethnicity pay gap. In a year where there has been a spotlight on ethnic diversity, it is important that Network Rail as an organisation continues to be open and reflect on what we are doing both internally and externally to support diversity. While the statistics in this report are a snapshot of our organisation at the end of March 2020, we would also like to share some of the activities that have taken place since then, which could have an impact on next year's numbers.

The ethnicity pay gap is the percentage difference in the average hourly rate of pay of white and BAME employees. We calculate our ethnicity pay gap using the same methodology set out in the Government regulations for calculating our gender pay gap.
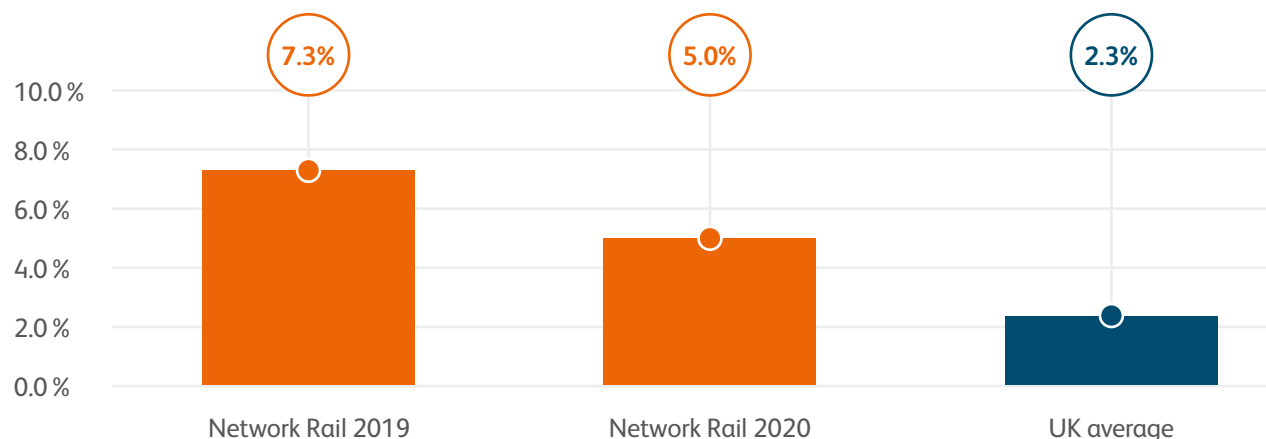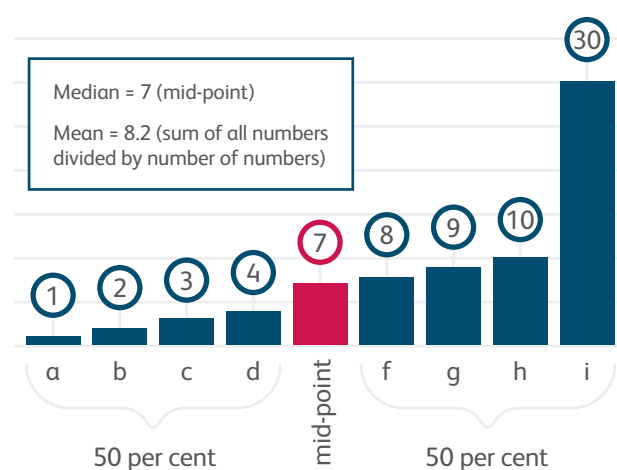
Median and mean

We look at both the mean and the median measures when calculating our ethnicity pay gap. The mean difference is the difference in average hourly pay; adding all pay rates together and dividing by the total number of people. The median difference is the difference in hourly pay between the middle paid (the person at the mid-point if you were to line all employees up) white employee and middle paid BAME employee.

The median is the most representative measure of an 'average' employee as it negates high and low outliers in a data set that would normally skew the mean.

Our results

"Our median ethnicity pay gap this year is five per cent, this is 2.3 per cent lower than last year but still greater than the latest UK average of 2.3 per cent[1]."

Median = 7 (mid-point)

Mean = 8.2 (sum of all numbers divided by number of numbers)

50 per cent | mid-point | 50 per cent

[1]2020 Office of National Statistics latest figures

Ethnicity pay gap continued

Ethnicity pay gap	
Mean (average)	**Median** (middle)
7.5%	**5.0%**

This year, we have reduced our median pay gap by 2.3 per cent to five per cent. The mean pay gap increased by 0.1 per cent to 7.5 per cent. However, we know that as BAME employees make up a relatively small proportion of our workforce, the pay gap will be sensitive to large fluctuations. We also know that the pay gap may go up, as well as down, as we look to increase BAME representation at all levels of the organisation.

The reason an ethnicity pay gap exists is because of an imbalance of BAME employees at all levels of the organisation. If BAME employees are more widely represented in the lower paid roles compared to higher paid roles, this would result in a lower median compared to other groups (i.e. white employees) and, therefore a differential in pay between the medians for the two groups.

However, this only tells part of the story. When looking deeper at our BAME population, there is also disparity in pay within this group.

Median pay gap by group	2019 Pay Gap	2020 Pay Gap
Black	9.3%	7.9%
Asian	1.8%	2.6%
Mixed or other	10.3%	9.2%
Prefer not to say/unknown	8.2%	11.8%

The pay gap between our white colleagues and Asian colleagues increased this year to 2.6 per cent. The pay gap between our white colleagues and our black and mixed colleagues, grouped as 'mixed or other', remains higher than our Asian colleagues, but both black and mixed or other groups saw a decrease in their pay gap this year compared to white colleagues, which is why the overall pay gap has decreased.

Just as important is understanding the makeup of employees who preferred not to share their ethnicity or where we do not hold data for them. By looking at these people as a separate group and comparing them to our white colleagues, the pay gap difference increased this year to 11.8 per cent – a 3.6 per cent increase on last year.
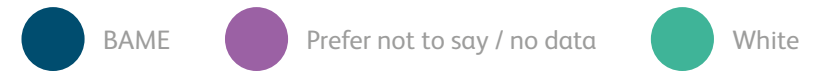
Depending on the background of these employees, our ethnicity pay gap could significantly change if we get better disclosure rates from this population. If a high proportion of these employees disclosed themselves as white, it would reduce the pay gap.
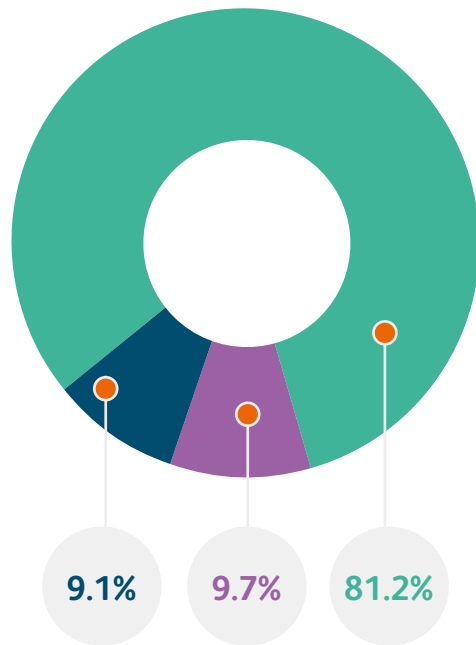
Our people

At the time of reporting (31 March 2020) the proportion of BAME employees at Network Rail has increased from 8.8 per cent in 2019 to 9.1 per cent this year. A total of 90.3 per cent of our workforce have shared their ethnicity, down slightly from 91 per cent last year. This has largely been due to challenges in gathering this information from new starters over the year which has decreased the overall proportion of employees for whom we have information.

Despite a slightly lower proportion of employees that we have ethnicity data for this year, we still have a significant sample size for pay gap calculations to take place. While this helps us with representative figures, we recognise that the accuracy of our reporting is not representative of our whole organisation which could be impacted by the 9.7 per cent of our workforce who have chosen not to share or where we simply do not have ethnicity data.
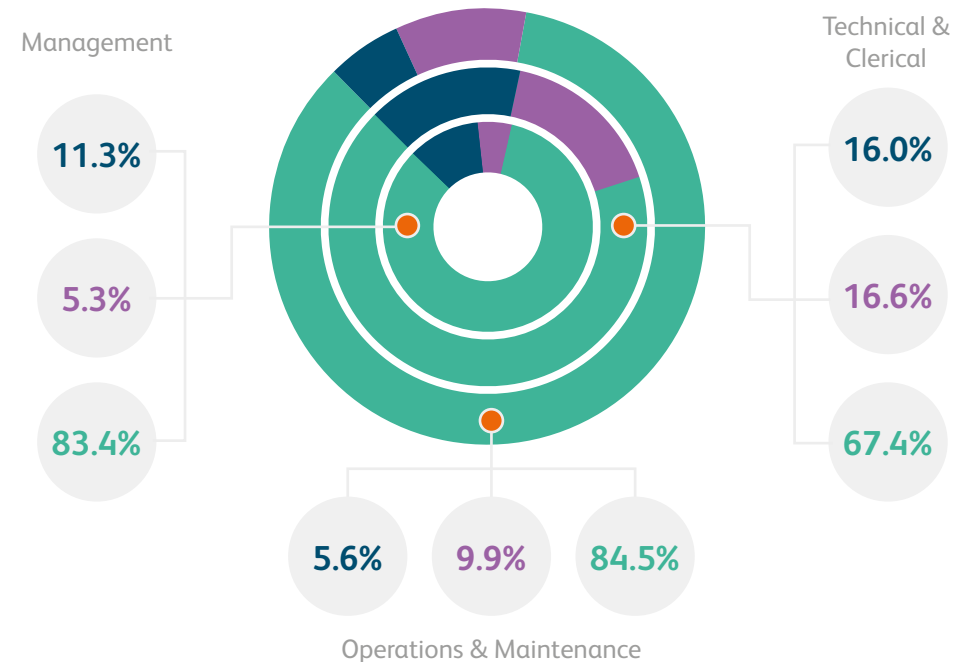
Ethnicity pay gap continued

Legend: BAME · Prefer not to say / no data · White

Proportion of BAME employees across Network Rail

9.1% **9.7%** **81.2%**

Proportion of BAME employees by role type

Management

11.3%

5.3%

83.4%

Technical & Clerical

16.0%

16.6%

67.4%

Operations & Maintenance

5.6% **9.9%** **84.5%**

Despite the increase in the proportion of our workforce to 9.1 per cent this year, this is still less than the UK BAME population of 13 per cent[2].
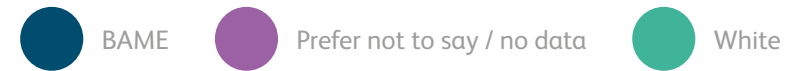
We have already begun to increase the diversity of our workforce through the work we have put in, looking at our processes and the culture of our organisation to make it more inclusive. This has seen an increase not only in the ethnic diversity of our organisation but the gender diversity also. However, we know that creating an ethnically diverse workforce presents a more complex challenge due to cultural differences within the BAME community and regional differences in demographics. This, coupled with gender differences, makes the issue multi-dimensional.
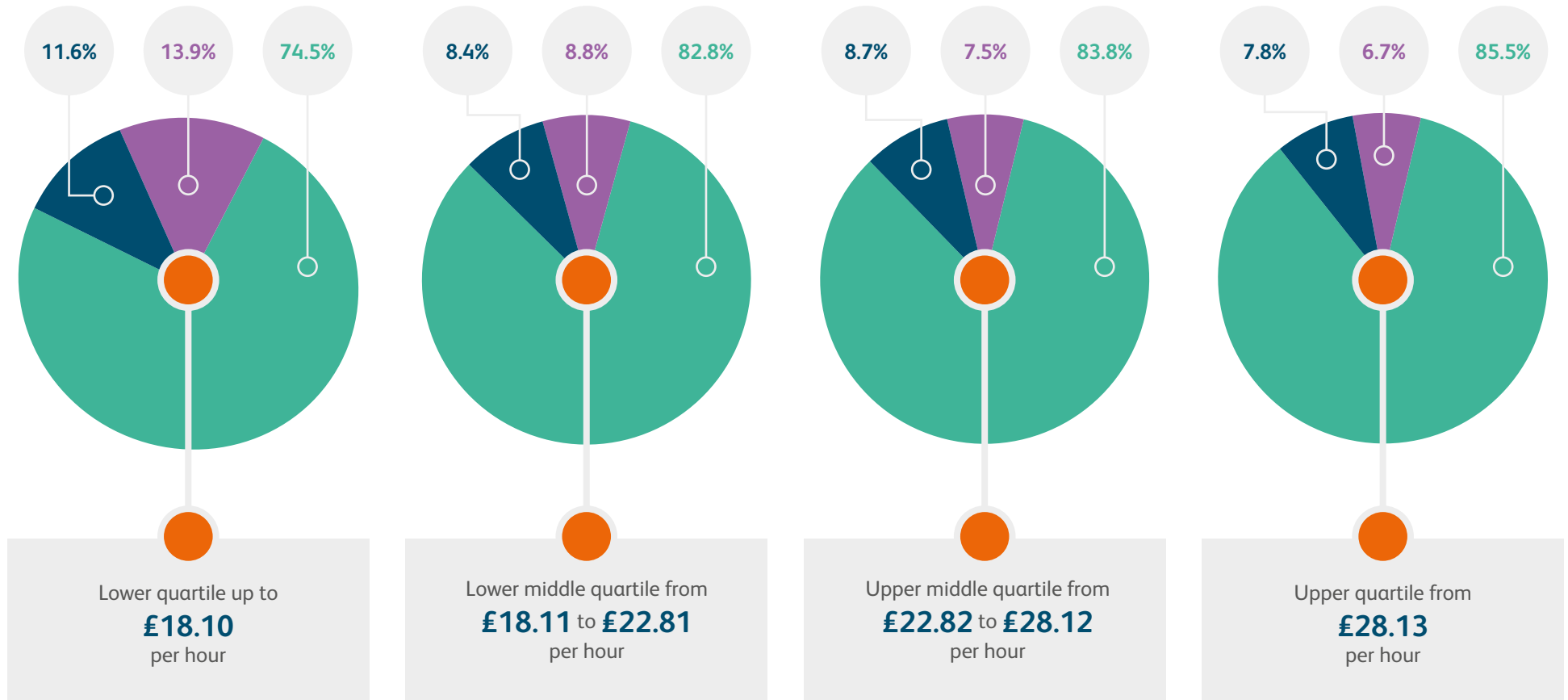
- BAME employees are underrepresented in management roles, however this year we have seen an increase of 0.5 per cent representation in these roles, bringing the proportion to 11.3 per cent. BAME employees continue to be most underrepresented in our frontline operational and maintenance roles with just 5.6 per cent from a BAME background, still a 0.3 per cent increase from last year.
- BAME employees continue to be well represented in our technical and clerical roles with 16 per cent being BAME, however this is down 0.6 per cent from last year.
- The proportion of employees not sharing their ethnicity or where we have no data increased in technical and clerical roles from 11 per cent to 16.5 per cent. There was a small increase in operations and maintenance roles, management roles remained the same. More work needs to be done to improve sharing rates across all role types.

Ethnicity pay gap continued

BAME   **Prefer not to say / no data**   **White**

Proportion of white and BAME employees in each pay quartile

Lower quartile	Lower middle quartile	Upper middle quartile	Upper quartile
11.6%	8.4%	8.7%	7.8%
13.9%	8.8%	7.5%	6.7%
74.5%	82.8%	83.8%	85.5%

Lower quartile up to
£18.10
per hour

Lower middle quartile from
£18.11 to **£22.81**
per hour

Upper middle quartile from
£22.82 to **£28.12**
per hour

Upper quartile from
£28.13
per hour

The proportion of BAME employees has increased in each of the pay quartiles this year. Encouragingly, this includes the upper middle and upper quartiles which has resulted in the decrease in the overall ethnicity pay gap. However, BAME employees are still most underrepresented in the upper quartile compared to the lower which is why a pay gap still exists. The proportion of white employees has decreased in each of the quartiles.

Ethnicity pay gap continued

Ethnicity bonus gap	
Mean (average)	Median (middle)
20.5%	0.2%

As we report the bonus pay gap as part of the gender pay gap reporting regulations, we are also reporting the bonus gap between our white and BAME employees.

There is a large difference between the mean and median bonus gaps between BAME and white employees. This is because employees in management roles can participate in the annual performance-related pay (APRP) scheme offering bonus payments that are linked to individual performance, salary and organisational or business area performance. These roles are predominantly filled by white employees which results in a higher mean compared to BAME employees.

Employees in our technical, clerical, operational and maintenance roles can participate in the general performance-related pay (GPRP) bonus scheme. This is a fixed payment scheme that has lower pay outs and is linked only to organisational or business area performance.

The median bonus gap is closer because the 'middle paid' employees from our white and BAME employees take part in the same GPRP scheme.

Proportion of white and BAME employees who received a bonus

White employees

99.5% Received a bonus
0.5% No bonus received

BAME employees

99.4% Received a bonus
0.6% No bonus received
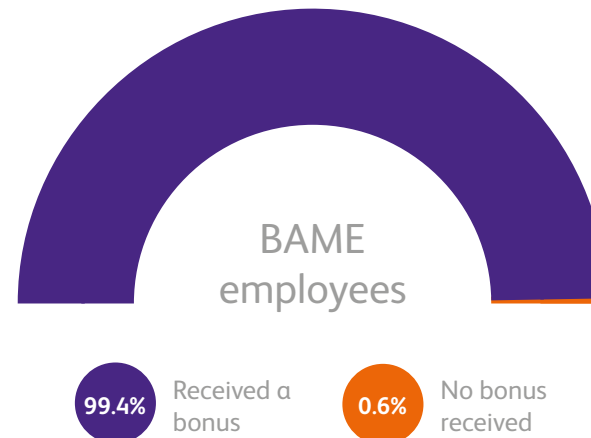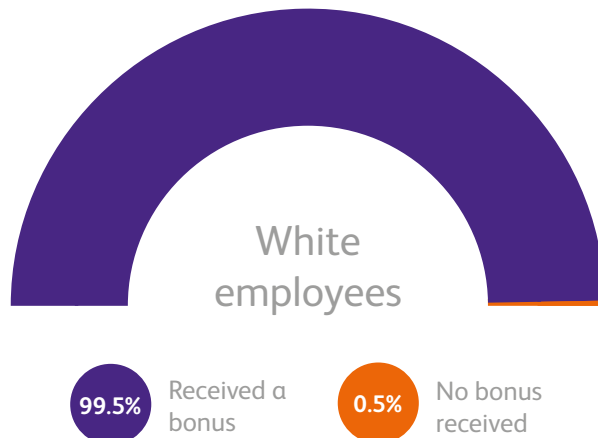
Due to a low proportion of BAME employees, the proportion of employees not receiving a bonus is more sensitive to large fluctuations.

Ethnicity pay gap continued

Intersectionality

Intersectionality means looking at how various social identities (protected characteristics), such as race and gender are interconnected. Looking at the intersectionality between race and gender, we can see that there are is differentiation in median rates of pay between white male employees and their female counter-parts and employees from a BAME background.

	Median hourly rate of pay	Pay Gap versus 'White - Male'
White - Male	£23.60	-
BAME - Female	£20.50	13.1 %
White - Female	£20.64	12.6 %
BAME - Male	£22.04	6.6 %

The pay gap is greatest for female employees from a BAME background, at 13.1 per cent, when compared to white male employees. This is greater than the pay gap for white female employees of 12.6 per cent. Male BAME employees have the lowest pay gap of 6.6 per cent. We know that a gender pay gap exists in our organisation, however this shows that the relationship between race and gender could disadvantage individuals more if they were female and from a BAME background.

Dividing our BAME employees further, we can see more differences in the pay gap compared to white male employees.

	Median hourly rate of pay	Pay Gap versus 'White - Male'
Mixed or other - Female	£19.02	19.4 %
Black - Female	£19.89	15.7 %
Black - Male	£21.66	8.2 %
Mixed or other - Male	£21.71	8.0 %
Asian - Female	£22.04	6.6 %
Asian - Male	£22.81	3.4 %

At this level, it is clear that employees from a black background have a bigger pay gap compared to their Asian colleagues. The pay gap for Asian colleagues is lower than our black colleagues irrespective of gender. Female employees from a mixed or other ethnic minority background have the biggest pay gap, however this group is relatively small and is therefore sensitive to large fluctuations.

In all cases, female employees have a lower median hourly rate of pay compared to their male colleagues in the same BAME group.

For more information on our gender pay gap, please read our report that can be found on our **website**.

What are we doing about it?

Race Matters update

Our aspiration is to be an industry leader for diversity and inclusion and to be a company everyone is proud to work for.

We have made great strides in improving gender diversity through our 20by20 project. Learning from this work we launched our Race Matters project which aims to increase representation of BAME employees in Network Rail as a whole, but with a particular focus on leadership positions, which will help to reduce the ethnicity pay gap in future years.

We know that the pay gap will fluctuate as we look to increase the diversity of our organisation. If we increase BAME diversity just in lower paid roles, this will have a negative impact on the pay gap. That's why it is so important to address BAME representation at all levels of the organisation, from top to bottom.

A target to achieve 13 per cent BAME employees has been set. The target is based on the 2011 census which highlighted this as the figure for the UK's BAME population[3]. We aim to achieve at least 13 per cent by 2024. This was agreed in April 2018 when eight per cent of Network Rail employees were from a BAME background. As of April 2020, this figure was

nine per cent. This target will be evaluated after the 2021 national census.

In summer 2020 we ran confidential listening groups to to better understand barriers to inclusion, attraction, retention and progression specifically for BAME colleagues. The outcomes of these sessions will help set the baseline for the Race Matters project and be delivered in the next year and will be shared in the 2021 report.

The Race Matters steering group has been formed to provide guidance and expertise to the business on how to create a more diverse and inclusive environment for employees from BAME backgrounds. The steering group will hold Network Rail to account for project deliverables.

In 2020 we really kick started our work in this space, in the next section there are a few examples of things we've started to do.
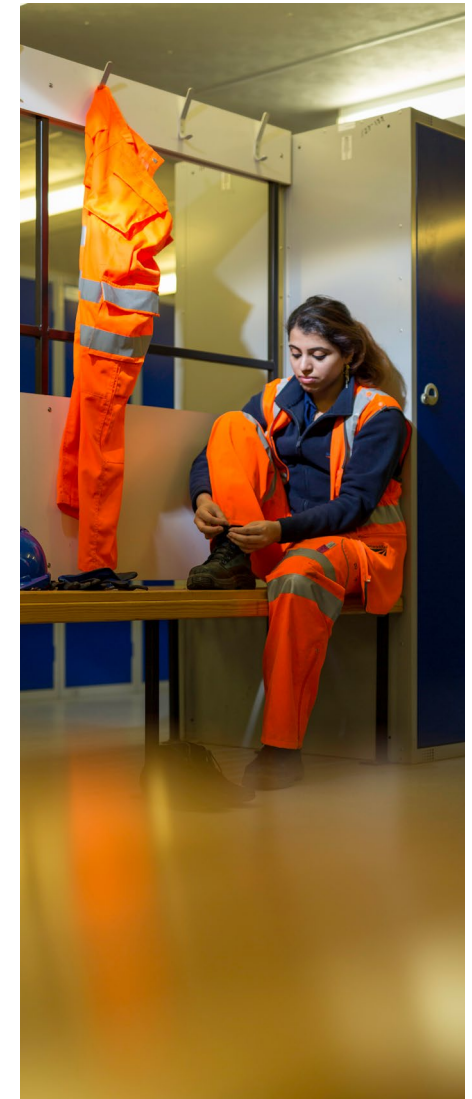
Approaching race head-on

Understanding our challenges

We undertook thorough analysis of the impact of processes and systems including recruitment, performance management and progression on colleagues and candidates from BAME backgrounds compared to their white counterparts.

We found that BAME employees are more likely than their white counterparts to:

Receive a poor performance rating
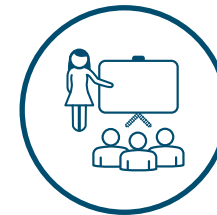
Leave Network Rail

Be dismissed

Apply for internal jobs

BAME employees and candidates are less likely than their white counterparts to:
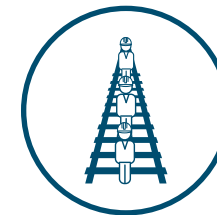
Progress to interview and offer stage

Feel engaged

Be offered a secondment

Have Senior Leadership roles, especially Exec-Band 2 roles

Work in frontline roles

In summer 2020 we ran confidential listening groups with over a hundred of BAME employees, a smaller group of white employees and around 30 senior leaders to understand how we can start to remove these barriers and others for BAME employees and candidates. We are also reviewing our processes and systems to get to the root cause of the problem with the aim of creating inclusion by design.

# Approaching race head-on continued

Talking about race

We know that for some talking about race isn't easy. That's why in June 2020 we ran virtual workshops to help colleagues start a conversation on race, micro-aggressions and understanding difference. During one week, more than 1,100 colleagues ranging from the frontline to the executive leadership team attended and we had over 1,200 questions, comments and answers. We also shared a Race Matters conversation guide to help keep the conversation going beyond the session.

At our annual conference in September 2020 we also had a virtual panel discussion of leaders talking about race.
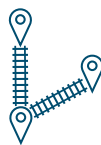
Covid-19

Government and Public Health England reports showed that BAME employees were more likely to have adverse outcomes from the Covid-19 pandemic. In light of this we issued guidance and a short film explaining the importance of having conversations with BAME employees about returning to the workplace or continuing to work in their frontline roles. We led industry work on creating a risk assessment tool for all employees which took into consideration the data to make sure employees were safe. Our employee assistance programme provider also offered tailored support for BAME employees concerned about their wellbeing during the Covid-19 pandemic.
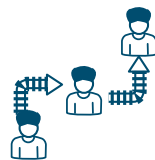
Progressing and retaining our talent

A pool of Network Rail employees have participated in Business in the Community's (BITC) cross-organisation mentoring circles to help with their career development. Through 2020 and beyond we are looking to expand our offering of mentoring opportunities. In addition to this we are working closely with our employee network for BAME colleagues, Cultural Fusion, to encourage applicants from their membership to take part in our flagship accelerated leadership programmes. The network has also run development days for its members.

Approaching race head-on continued

Leadership commitment

Over the last year our chief executive has been reverse mentored by two colleagues from different backgrounds to help deepen his understanding of diversity and inclusion, and their experiences at Network Rail. Over the next year we plan to roll this scheme out further to more senior leaders in the organisation.

We will also continue to deliver our inclusive leadership programme that focuses on race and inclusive behaviours.

Both our chief of staff and group HR director sit on the Race Matters steering group, providing sponsorship, support and challenge to the work we are doing.

We will also be rolling out diversity and inclusion objectives for leaders to adopt and cascade to their teams.

Connecting communities

Our Scottish region have been connecting with local communities to make Network Rail more accessible and showcase what we are doing on diversity and inclusion. Senior management visited the Central Gudwara, Glasgow Central mosque and Giffnock Shul. 19 community engagement events were then hosted at Glasgow's central offices with a total of 383 attendees.

Thanks to this engagement Scotland has seen the percentage of BAME staff increase from 0.6 per cent in 2018 to 1.3 per cent in 2020.

Celebrating difference

Since the summer of 2020 Cultural Fusion has run 'virtual tea break' sessions for its members and allies covering a range of topics. Over 50 people attend each week from all levels and roles across the organisation. Cultural Fusion has around 700 members and is growing each day with both BAME colleagues and white allies. Colleagues have also celebrated Chinese New Year, Gurpurab, Ramadan and Eid through events and communications.

Approaching race head-on continued

Graduate Engineering Engagement Programme (GEEP)

We support the Graduate Engineering Engagement Programme (GEEP) and 10 female and/or BAME candidates from the programme have joined our Engineering Graduate scheme.

This programme targets university engineering students and has reached over 800 students from 66 universities since it was launched in 2015. Of the students already involved in the programme 28 per cent are female and over 90 per cent are from BAME backgrounds.

GEEP has been developed in partnership with engineering employers and is delivered by Sponsors of Educational Opportunity (SEO) London, with support from the Association for Black and Minority Ethnic Engineers (AfBE-UK) and the Women's Engineering Society (WES). GEEP targets engineering undergraduates who are female or from socially disadvantaged or BAME backgrounds with a focus on universities outside the Russell Group. Research shows that there is a stark difference in outcomes for engineering graduates of white and BAME origin entering engineering occupations, with 60 per cent of white engineering graduates employed in engineering occupations after six months, compared with only 40 per cent for BAME graduates. Following a successful three-year pilot, GEEP launched as a full-scale programme in 2018 and it was named winner of the Race Equality Award 2019 at Business in the Community's Responsible Business Awards.

The programme also supports social mobility as it attracts candidates from more diverse universities. 100 per cent of the participants felt the GEEP "left a positive impression on them and strengthened their interest to work in the engineering sector".

Data sharing

In February 2020 we launched a campaign encouraging our employees to share their diversity data with us so that we can understand our ethnicity pay gap better. This is an ongoing challenge and our regions and functions continue to encourage diversity data sharing.

We will also be looking at our onboarding process to make sure new starters are actively encouraged to share their diversity data with us as we know this is a point at which many people don't share, which has resulted in our overall percentage of employees disclosing their ethnicity decreasing this year. Gathering this data is important because the more accurate picture we have the more powerful reports like this are and the more meaningful our interventions can be.

Focusing ahead

Our second ethnicity pay gap report shows the progress that we have made and how much more we have to do. There is an increased representation of black, Asian and minority ethnic employees in our leadership roles which has contributed to the reduction in our ethnicity pay gap from last year. Whilst this is positive, we know it can still fluctuate as we increase the ethnic diversity of our organisation in the coming years. This year, using an intersectionality approach has made it clear which specific groups have the greatest gap, and we will use this information to influence our focus as we go forward.

If you need this information in an
alternative format please contact us.