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# **Ethnicity Pay Gap Report 2021**

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## Introduction



David Martin  
Executive Chairman

FirstGroup is a leading private sector provider of public transport. We provide easy and convenient mobility, improving quality of life by connecting people and communities. To understand the needs of our customers, and deliver the best possible service, we believe that our workforce must reflect the diversity of the communities we serve.

This is the first year that we've reported on our ethnicity pay gap. While reporting in this area is not yet a legal requirement for UK employers, we believe that gender pay gap reporting has demonstrated the power of data to drive progress on diversity and fairness issues. The findings are not always comfortable, and inevitably this first report highlights opportunities for improvement, but we believe it is a vitally important step in building a more diverse and representative workforce.

During 2021, FirstGroup became a signatory to Change the Race Ratio, through which we have committed to taking action to:

- increase the racial and ethnic diversity of our Board and senior leadership team
- be transparent on targets and actions
- create an inclusive culture where talent from all diversities can thrive.

This Report includes information on the actions being taken on these commitments across the Group.

We are determined to ensure fairness in pay and progression regardless of race and ethnicity, and to close pay gaps where they exist.

We recognise that attracting and retaining people with different backgrounds and experience requires a culture where everyone feels valued and respected. While we are proud of the progress being made across many areas, we acknowledge there is still more to do in order to create an inclusive workplace for everyone.

## Our headline figures

Our median ethnicity pay gap

is **4.7%**

This means the median average hourly pay for white colleagues is 4.7% higher than for ethnic minority colleagues

Our median ethnicity bonus

gap is **8.3%**

This means the median average bonus for white colleagues is 8.3% higher than for ethnic minority colleagues

The number of UK employees covered by our report at 5 April 2021 is

**19,281**

This comprises 16,591 white and 2,690 BAME colleagues

**61.1%**

of our colleagues have shared their ethnicity data with us

## Understanding our ethnicity pay gap

The ethnicity pay gap shows the difference between the average hourly rate of pay of all Black, Asian and Minority Ethnic (BAME) employees in the organisation, as a percentage of the average hourly rate of pay of white employees. This is different from equal pay, which considers whether BAME and white employees receive the same pay for work of equal value. Our report only includes those who have shared their ethnicity data with us.

As yet there is no standard, prescribed methodology for calculating the ethnicity pay gap, so we have chosen to use the same approach as we have been using since 2017 for our gender pay gap reporting.

To help us understand the results in more detail and identify whether the ethnic pay gap is different for different ethnic groups, we have used the ethnic category definitions from the Office of National Statistics (ONS) 2011 Census.

When calculating our ethnicity pay gap, we look at both the mean and median averages. The mean is the difference in average hourly pay when all pay rates are added together and divided by the number of people. The median is the difference in hourly pay between the middle-paid BAME and the middle-paid white employee; this is the person at the midpoint, if you were to line up all employees.

We consider that for our business, with relatively low numbers of ethnic minority employees and only 61.1% of our workforce having shared their ethnicity so far, the median is the most representative measure, because it prevents high and low 'outliers' skewing the results of an already small data set.

### Who is included in these calculations?

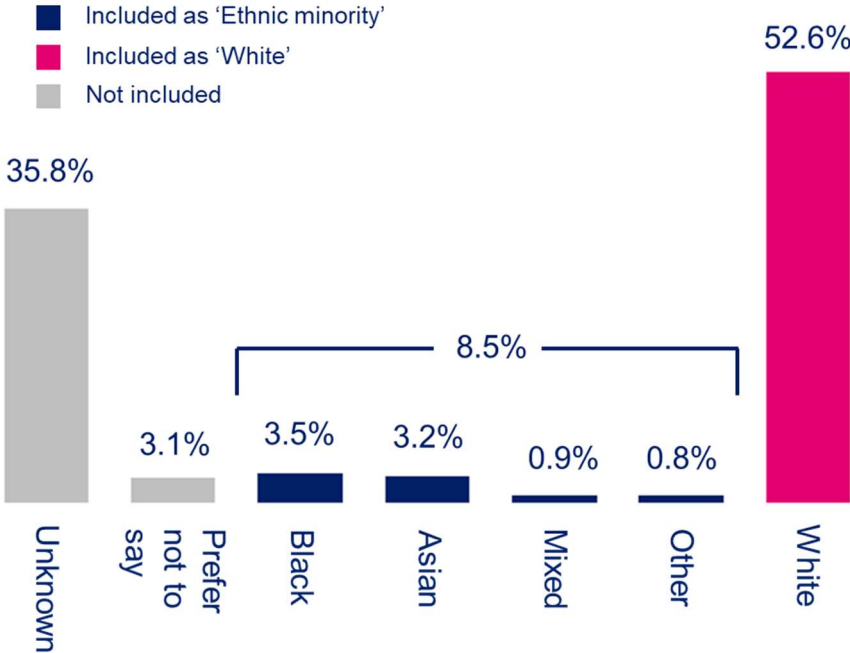
- All colleagues employed on the snapshot date (5 April 2021) who have shared their ethnicity, and who would be included under the gender pay gap reporting regulations
- Anyone who has chosen not to share their ethnicity, or who 'prefers not to say' is not included.

Our report covers 19,281 out of a total workforce of more than 31,000, and uses data from the 61.1% of UK colleagues who have shared their ethnicity.

At the time of reporting (5 April 2021), the proportion of FirstGroup's UK workforce who report that they come from a black and minority ethnic background stood at 8.5%. This is lower than the UK BAME population of 13% (2011 Census).

We recognise this limits the accuracy of our reporting, as 38.9% of our workforce have not shared their ethnicity data.

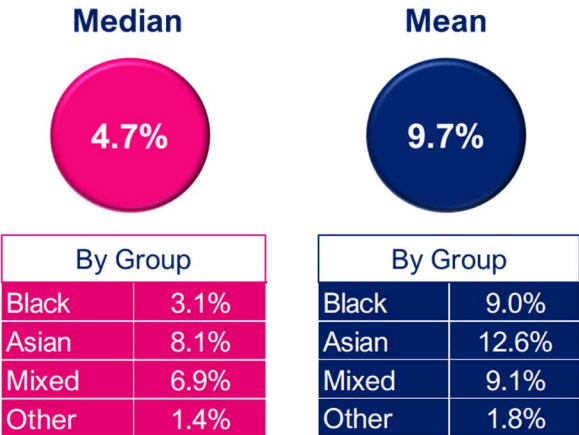
# FirstGroup Total UK Workforce



This first ethnicity pay gap report is presented at UK-level only, because there is currently insufficient data to provide meaningful reporting by individual operating company. In future reports, as we increase the proportion of ethnic minority employees we hire, and encourage more colleagues to share their ethnicity data, we may be able to be able to report at a more granular level.

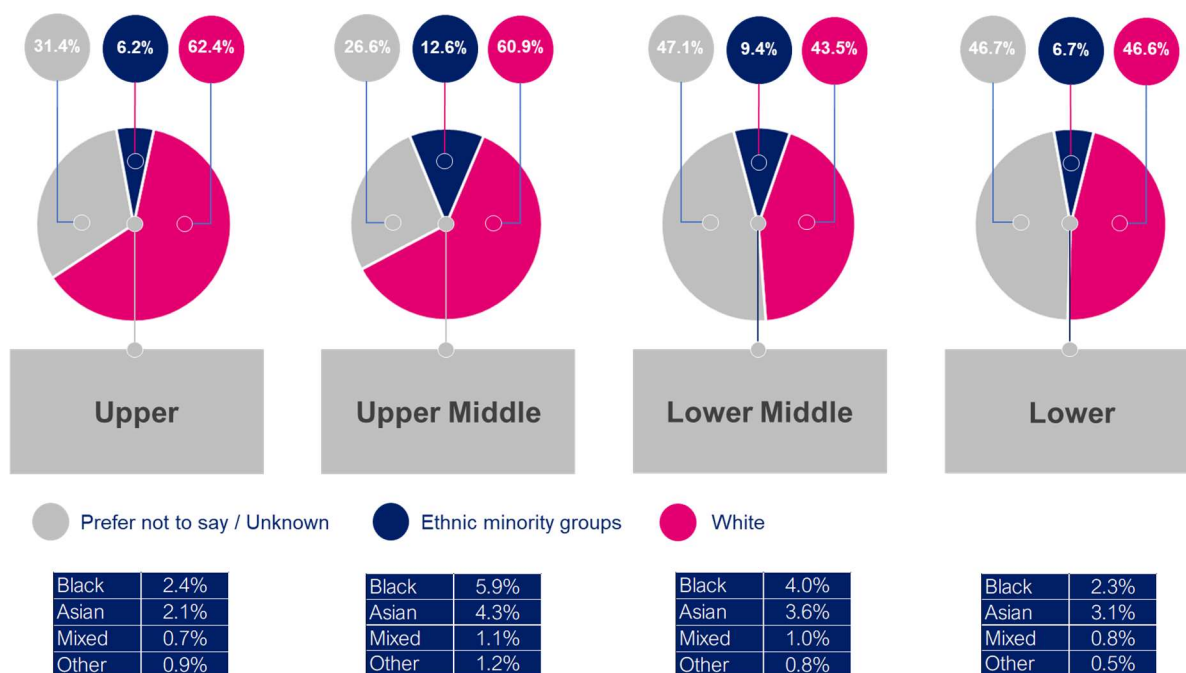
## Our 2021 Results

Our median ethnicity pay gap is 4.7%. This means that the median average hourly pay rate for white colleagues is 4.7% higher than for those with an ethnic minority background. This is a bigger gap than the UK national average of 1.9% (ONS Annual Population Survey 2019).



To get a better understanding of the reasons for our pay gap, and differences within specific ethnic groupings, we have also reviewed ethnic distribution across our four pay quartiles.

### Ethnic Distribution by Pay Quartile



This indicates that the biggest contributing factor to our pay gap is underrepresentation of ethnic minorities in senior roles. You can read more about the actions we are taking to support more BAME colleagues to move into higher-paying technical, engineering and management jobs, on page 8.

Our results also suggest that colleagues who describe themselves as having an Asian or Mixed ethnic background have a larger pay gap than those who describe themselves as Black or Other. The pay quartiles analysis shows this is due to the slightly higher proportion of Black employees in the top three pay quartiles, when compared with Asian, Mixed or Other groups.

In our First Rail division, the proportion of the workforce who report that they came from a black and minority ethnic background was 11.3%. Of these, 47% are Black, of whom 73% are in the middle pay quartiles, with 46% in the Upper Middle quartile.

Our First Bus division is less ethnically diverse, where only 5% of the total workforce have identified as being from a black and minority ethnic background. Of these, 54% are Asian, of whom 93% are in the lowest two quartiles, with 56% in the lowest quartile.

While BAME representation is slightly higher in our upper middle and lower middle quartiles than in our lower quartile, it is important to note that the data sets are small, and care must be taken when drawing conclusions, because of the significant proportion of employees who have not yet shared their ethnicity data.

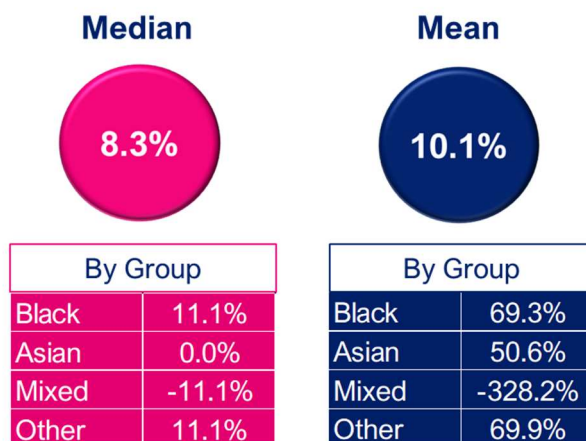
Increasing the number of colleagues willing to share their data is a key part of our action plan, and on page 9 you can read more about what our UK divisions are doing to encourage this.

## Our Ethnicity Bonus Gap

As part of our ethnicity pay gap reporting, we have also examined the bonus gap between our BAME and white colleagues.

FirstGroup operates a number of different bonus, incentive and commission schemes across our UK businesses. Our report shows that in 2021, BAME colleagues were slightly more likely to receive a bonus compared with white colleagues (37.8% compared with 36.3% respectively).

However, the median bonus received by BAME colleagues was 8.3% lower than for white colleagues, and the mean bonus was 10.1% lower.



Our analysis indicates that our bonus gap is primarily driven by a lack of ethnic minority representation in management roles, which typically have higher potential for bonus than other roles. These roles are currently held predominantly by white employees, which results in higher median and mean bonuses when compared with BAME employees. The actions we are taking to increase the representation of ethnic minority employees in higher-paying roles will help us address the bonus gap (see page 8).

The results also show how the median bonus gap varies between different ethnic groups, with the bonus for Black employees being 11.1% lower than for white colleagues, no bonus gap for those from Asian backgrounds, while the bonus for those from a Mixed background is 11.1% higher than white colleagues.

The mean bonus gaps show greater differences between ethnic groups. However, as explained previously, the use of mean averages when combined with small data sets can be skewed by high and low outliers. As an example, the mean average bonus awarded to employees with a Mixed ethnic background was 328% higher than that for white colleagues; however this was distorted by a one-off bonus paid to a small number of employees in one operating company, under a legacy bonus scheme which has now come to an end. This

example illustrates the care that must be taken in interpreting these data sets, as outlined above.

## **What action are we taking?**

### **Change the Race Ratio**

In June 2021, FirstGroup became signatories to 'Change the Race Ratio', through which we have committed to taking action which will increase the racial and ethnic diversity of our Board and senior leadership, be transparent on targets and actions, and create an inclusive culture where talent from all diversities can thrive.

All our businesses are pursuing action plans to make progress on these commitments.

### **Increasing workforce diversity at all levels**

We recognise the importance of role models at the top of the organisation. In recruitment for Board and senior management roles, we work with external search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms, to support our efforts to ensure ethnically diverse candidate lists.

More broadly across our UK divisions, since 2018, we have been making steady progress on attracting and hiring more employees from ethnic minority backgrounds. Although our recruitment activity in 2020/2021 was significantly reduced by the pandemic, we still increased the proportion of applications from ethnic minorities for the third successive year, from 24.8% in 2018, to 27.5%, and hires from 13.1% to 15.1%. This compares positively to the ethnic diversity of the UK population (13%; ONS 2011 Census).

Initiatives such as specific engagement programmes in schools to promote our job opportunities in areas with high BAME populations, and ensuring our careers website and social media channels showcase examples of colleagues from under-represented groups, together with 'unbiased recruitment' training, have all contributed to improving the ethnic diversity of our new joiners.

As an example, our TransPennine Express (TPE) rail business continually seeks ways to highlight available career opportunities to candidates with diverse backgrounds who might not previously have considered a career in the rail industry. This has included working with the Conscious Youth charity who support ethnically diverse young people in Kirklees, West Yorkshire. Inclusive recruitment initiatives have resulted in 20% of hires from BAME backgrounds in TPE, up from 7% in the prior year.

Also, at Great Western Railway (GWR), we are trialling the introduction of diverse interview panels for all roles, mandating ethnically diverse shortlists representative of the region in which the role is based, and setting diversity targets for ethnically diverse applicants, with particular focus on higher paid roles. We expect to be able to provide an update on the results of these trials, and plans for wider rollout, in next year's Report.

### **Supporting more ethnic minority colleagues and candidates to move into higher paid engineering and management roles**

Many of our managers started their careers by being promoted from front line driving and engineering roles, so ensuring ethnically diverse recruitment at this level is an important contributor to increasing the diversity of our management population, which will in turn help us to close our ethnicity gap.



To further support the career progression of colleagues from ethnic minority backgrounds, our First Rail division has created two new development programmes; 'Reach Up' aims to help ethnic minority colleagues prepare for and attain their first management role, while 'Reach Forward' supports existing managers from BAME backgrounds to progress into more senior leadership positions. By the end of 2021, 80 colleagues will have participated in these programmes, with further events planned throughout 2022.

Building on the success of these pilot programmes in Rail, our First Bus division is now considering how to replicate a similar approach to supporting career progression for ethnic minority colleagues, to increase the ethnic diversity of their management teams.

In addition to Reach events, Avanti West Coast have introduced a structured leadership mentoring programme to support those from under-represented groups, including colleagues from ethnic minority backgrounds, to progress their careers with Avanti. From the 249 employees on the scheme, 48 are from ethnic minority backgrounds.

Many of our higher paid roles are in engineering, so improving the diversity of our engineering workforce will also help to address our ethnicity pay gap. In 2021 our First Bus and First Rail divisions pledged their support for the 'Tomorrow's Engineers Code', a campaign which brings together employers, education and professional bodies to increase the number and diversity of young people choosing careers in engineering. It aims to do this in a variety of ways, showcasing the wide range of job opportunities available, and how engineers use their skills to build a better world. By targeting inspiring activities at under-served and underrepresented groups, the Code seeks to ensure all young people have the opportunity to consider a career in engineering regardless of their background.

First Bus is also a founding sponsor of a new Equal Engineers' Pathways Programme, designed to support engineering students from diverse backgrounds and increase diversity across engineering in the UK.

We plan to provide an update on the success of these initiatives in broadening the ethnic diversity of our engineering workforce, in future reports.

## **Targets and action plans**

As our first Ethnicity Pay Gap report shows, meaningful pay gap reporting depends on increasing the number of colleagues willing to share their ethnicity data. At present, the conclusions we can draw are limited, because we only hold this data for two thirds of our workforce.

The data sharing rate is also an important indicator more broadly, because it reflects how comfortable people are about sharing their sensitive details with us. Working with our Employee Directors, we are exploring what more we can do to help colleagues to overcome any reluctance or concerns about sharing their ethnicity and other protected characteristics.

In our First Bus division, 46% of employees have shared their ethnicity data, whereas our First Rail division is already at 76%. We have set ourselves a target of reaching 70% in our Bus division by the date of our 2023 report.

Beyond this target, each division is considering the most appropriate diversity and inclusion targets and action plans for their businesses, to support our aim of ensuring that our workforce is genuinely representative of the communities we serve.

We expect to publish our targets as part of our 2021/22 year-end reporting. This will enable us to make sure they reflect the most up to date ethnicity statistics from the National Census results, which are due to be issued in March 2022.

### **Creating an inclusive culture**

We provide bus and rail services for all of society; to do this as effectively as possible, our workforce should reflect the diversity of the communities we serve. An inclusive culture is an essential foundation for being able to attract and retain employees from diverse ethnic backgrounds. Our individual operating business across the UK already have a variety of initiatives underway to create an inclusive culture. These include employee networks such as those at South Western Railway, where the 'Reach' network provides a quarterly forum for colleagues to share ideas and best practice, and helps to influence and guide implementation SWR's inclusion and diversity strategy. The network is also promoting cultural awareness events and introducing a race equality toolkit to drive conversation and behavioural change.

Our divisions have also taken steps to strengthen their governance and leadership focus on how we can improve workforce diversity. First Bus have conducted a benchmarking exercise of relevant diversity policies, practices and culture to inform their divisional diversity and inclusion strategy. We welcome the insight this has given us and have established an Equality, Diversity and Inclusion Implementation Group to provide regular review, support and challenge to our work in this area. Under their sponsorship, First Bus is developing a range of different initiatives which can be applied across their individual operating companies. These include establishing a race and ethnicity network. In future report, we intend to provide regular updates on our results and learning from these initiatives.

In addition, with other bus operators, First Bus is contributing to the development of 'The Inclusive Employment Journey', which aims to share good practice across the UK bus industry.

It is through initiatives such as those detailed here that we will continue to attract and retain people with different backgrounds and experiences, and work towards creating an inclusive workplace for everyone.