ETHNICITY PAY GAP REPORT 2020

MARCH 2021

LNER
LONDON NORTH EASTERN RAILWAY

INTRODUCTION

At LNER we believe that a strong culture of equality, diversity and inclusion requires inclusive leaders who feel accountable for creating, developing and growing an environment where anyone can thrive. An inclusive workspace where everyone feels safe and confident because they can be their authentic self at work and ultimately achieve their potential.

This is the first year that we are voluntarily publishing our Ethnicity Pay Gap Report, and by doing so, we hope it will help us to structure actions and monitor progress towards ensuring we achieve the truly inclusive working environment we care passionately about.

We do have a pay gap, primarily driven by a lack of Black, Asian and Minority Ethnic (BAME) representation in the train driver population. Our education programmes and initiatives have delivered success, but to truly level up and address imbalances, we must fully understand the whole system and resolve any issues at source. In an industry with high staff retention we know it will take time. However, we are deeply committed to closing the gap through creating a plan of action, that leads to a robust framework of support, education and challenge at all levels of our organisation. This first report provides us with a baseline to set challenging but realistic targets and monitor our efforts.

In the last year, we worked hard to achieve strong disclosure, so that we could analyse the data to really understand where our policies and processes may be negatively impacting our BAME colleagues and other diverse groups. We have seen success from our focus on increasing the gender balance of our workforce, again specifically in the key role of train driver. Our approach this year is to address intersectionality through our EDI programmes and acknowledge the unconscious bias and privilege that may make talent at the intersections invisible. We know we have some work to do, and approaching diversity and inclusion through a broader lens will help make the deep and sustainable change we desire.

Developing a truly equal, diverse and inclusive workforce that is representative of the communities we serve, is critical to the purpose and values of LNER. It is imperative this belief is led from the top and as such, several of our executive directors sponsor a diversity strand from our EDI Strategy and this year will participate in reverse mentoring with colleagues from different backgrounds to help deepen their understanding of what it is like to work at LNER.
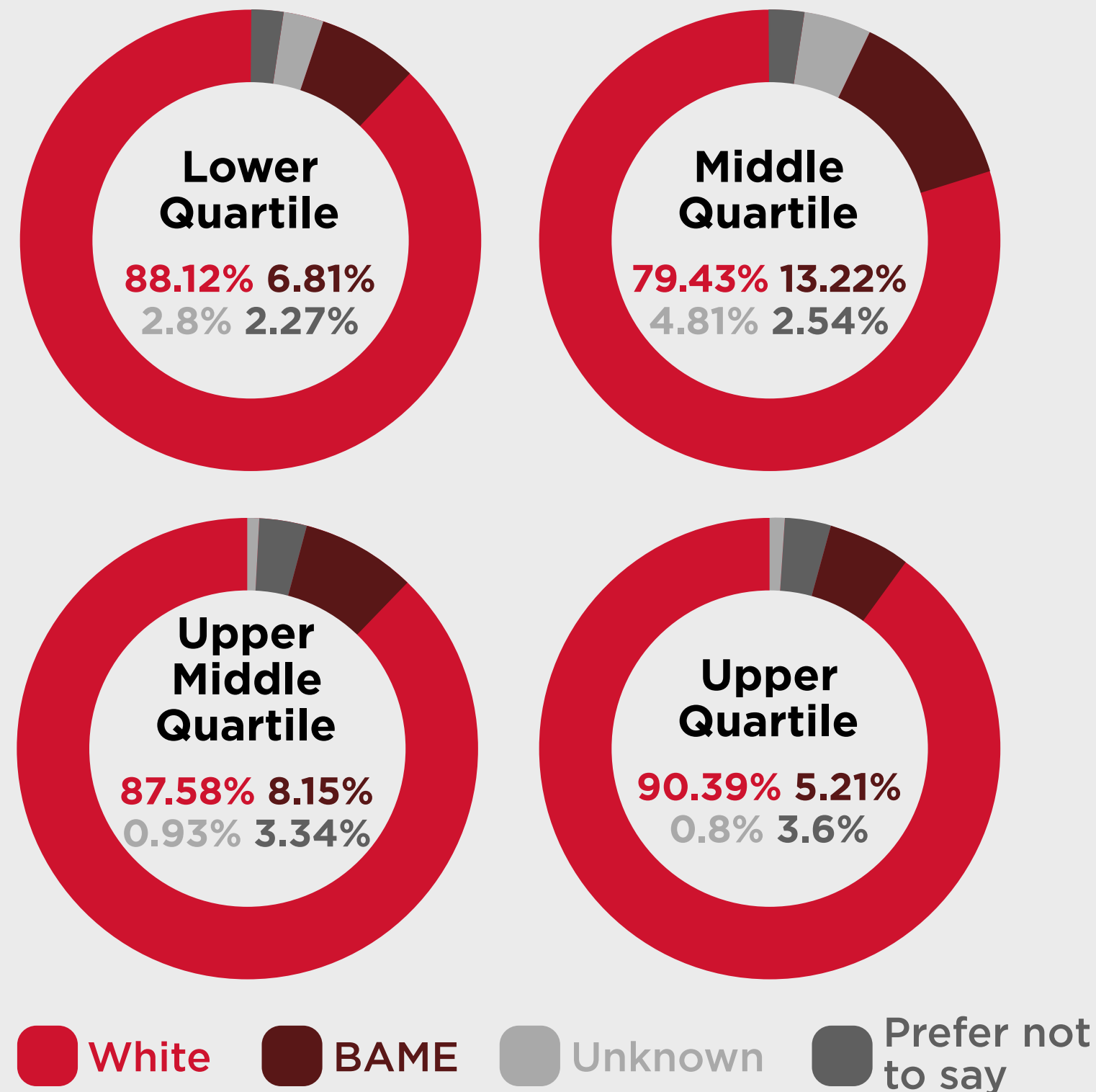
DEFINITION

How is the ethnicity pay gap calculated?

Because different jobs pay differently and the number of BAME and White employees performing these roles varies, an ethnicity pay gap exists.

The term BAME, as used in the UK, stands for Black, Asian and Minority Ethnic. According to the Office of National Statistics and the census categories used in 2011, this also includes 'mixed ethnicity' and 'other ethnicity'.

The ethnicity pay gap, not to be confused with the issue of equal pay, shows the difference in the average hourly rate of pay between BAME and non-BAME employees in an organisation, expressed as a percentage of average non-BAME earnings. This is calculated using the same calculation methodology as for gender pay gap reporting.

The mean calculation looks at the difference in average hourly pay, adding all pay rates together and dividing them by the total number of people.

The median calculation is the difference in hourly pay between the middle paid White employee (the person at the midpoint if you were to line all employees up) and the middle paid Black, Asian and Minority Ethnic employee.

The data presented is based on all employees who had declared their ethnicity at the time of reporting.

B B B B B B B

W W W W W W W

Lowest paid   The median   Highest paid

OUR RESULTS

Pay Quartiles

Proportion of White and Black, Asian and Minority Ethnic (BAME) colleagues in each pay quartile. Each quartile contains 749 employees.

Lower Quartile
88.12% 6.81%
2.8% 2.27%

Middle Quartile
79.43% 13.22%
4.81% 2.54%

Upper Middle Quartile
87.58% 8.15%
0.93% 3.34%

Upper Quartile
90.39% 5.21%
0.8% 3.6%

● White ● BAME ● Unknown ● Prefer not to say

The overall difference between White and BAME employees	Mean (Average)	Median (Middle)
Ethnicity Pay Gap	12.60	4.27
Ethnicity Bonus Gap	41.98	7.89

The proportion of Black, Asian and Minority Ethnic employees across the organisation is lower than we would like, specifically with **5.2%** of our people within the upper quartile identifying as BAME. Our train drivers fall within this category, and on the snapshot date **98%** of that population identified as White. If we were to discount the driver workforce within this quartile, the figure would be nearer the company average of **8.4%**. Our middle quartile sits over our company average and nearer to the UK representative figure at **13.2%**.
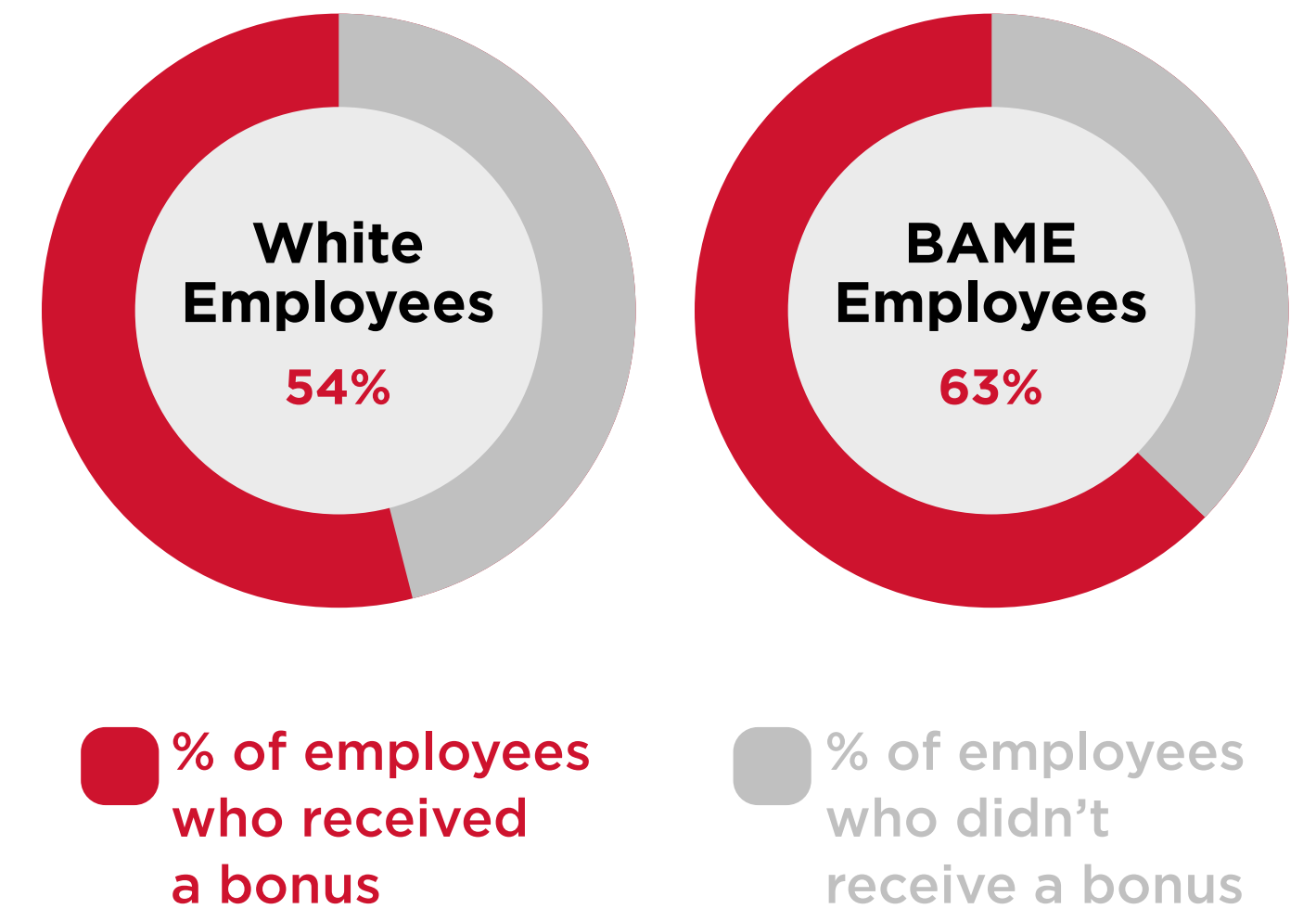
Proportion of White and BAME employees receiving a bonus.

Some of the non-management roles within our customer experience directorate earn commission on food and ticket sales.

Under Pay Gap Reporting regulations these payments are classified as a bonus and are reflected in our Ethnicity Pay Bonus Gap results.

89% of BAME employees receiving a bonus work within frontline non-management grades.

The bonus gap between White and BAME colleagues earning a bonus is largely due to the lack of BAME representation within our train manager and director roles.

White Employees 54%

BAME Employees 63%

■ % of employees who received a bonus

■ % of employees who didn't receive a bonus

OUR STORY

Whilst we have made great progress in improving gender balance, we recognise that we have much more to do to improve the representation of people from Black, Asian and Minority Ethnic (BAME) backgrounds across LNER, in train driver roles and senior leadership positions. Currently 8.5% of our business identify as BAME, against a UK population of 13% according to the 2011 census.

This makes change a priority focus for us and that's why we are voluntarily publishing our Ethnicity Pay Gap Report ahead of any legislative requirement. We were really keen to produce the first report to provide us with a baseline so that we can track improvements in processes and systems that support closing the gap. We are a signatory on the Business in the Community (BITC) Race at Work Charter, which will also help guide us towards taking practical and effective steps to transform our workforce diversity.

For the past 12 months we have implemented a disclosure campaign to obtain missing diversity data and have reduced our ethnicity data gap from 17% to 2.3%. We are now working towards a better understanding of our workforce demographic, affording us the opportunity to investigate more deeply the areas we can make significant improvement. This year, we will be looking at intersectional data to truly understand the experience of our BAME colleagues at every stage of the employee life-cycle, and at each intersection. Our median ethnicity pay gap of 4.27%, is above the 2019 ethnicity pay gap UK average of 2.3%, largely because we have less BAME colleagues within our train driver grade group. We can see from the data in this report that we need to inspire and attract more BAME talent to join and develop a career with LNER. Our employee experience and learning experience teams are working hard to create targeted attraction and development initiatives to achieve this.

We are continuing to develop and inspire our leaders to nurture a culture of inclusion by raising awareness of cultural differences and educating them in relation to the impact of bias and privilege. We have implemented an education plan supporting learning through webinars, lunch and learn sessions, alongside role specific tailored training programmes. Also, by empowering and supporting our Inclusion Network and its Inclusion Representatives we can create a calendar of initiatives and events that will enable all of our people to make changes and support others.

We have a huge ambition to create a truly diverse workforce culture that feels inclusive and safe, and we are empowering everyone within LNER to take collective ownership to achieve it.

Karen Lewis
People Director

OUR JOURNEY

Inspiring The Next Generation

1. We have engaged with over 1,000 students from diverse communities across LNER's route, raising awareness of the career opportunities in the rail industry.

2. 50 students (34% from BAME backgrounds) have completed our Summer Academy programme preparing them for the world of work. We are moving to a digital work experience programme in 2021 to enable us to reach a wider audience.

3. We showcase our career opportunities through our involvement with the Big Bang Fair, the largest celebration of science, technology, engineering and maths in the UK.

4. Where an executive director sponsors a diversity strand, this year they will be engaging with colleagues from those diverse backgrounds through a reverse mentoring programme.

Attracting Talent

1. We are using data from our applicant tracking system (ATS) to monitor the diversity of applicants throughout the recruitment process and to inform where we need to focus our efforts.

2. Our adverts and recruitment processes are designed to be fully inclusive and eliminate bias.

3. All our hiring managers undertake Inclusive Recruitment Training.

4. We partner with BAME Recruitment and Together Communications to promote our career opportunities directly to diverse groups.

5. We have set a target to improve Black, Asian and Minority Ethnic representation from 8.5% to a minimum of 10% by 2025.

6. We are building ethnic diversity through our talent pipeline with particular emphasis on entry level, leadership and senior roles.

Developing Talent

1. We design our Apprenticeship Programme to create opportunities for new roles and to upskill our existing workforce.

2. Everyone across LNER will receive training on inclusive behaviour through our Inclusivity Training Programme which launched this year. This will also feature in our induction so new starters understand our commitment to our values and culture.

3. Frontline senior managers attend Diversity Development Days to explore the impact of bias and privilege and to identify opportunities to continuously improve inclusivity.

4. We have delivered a series of inclusion themed webinars 'Our Journey to an Inclusive LNER', 'Let's Talk About Race' and 'Understanding Privilege and Being an Ally'.

5. In 2021 we will review career development pathways and opportunities, with a particular focus on supporting our people from the BAME community.

Creating A Great Place To Work

1. Through our missing data campaign, almost 98% of our employees have disclosed their ethnicity data, enabling us to develop more targeted initiatives.

2. We have appointed Executive Sponsors for each strand of diversity creating business wide ownership for the delivery of our Diversity and Inclusion Strategy. We have reverse mentoring in place relative to each strand.

3. In July, we signed the Business in the Community Race at Work Charter and are working towards the five charter principles.

4. We celebrate difference through our annual calendar of diversity and inclusion events and have empowered our Inclusion Network to drive change through these.

5. We have over 50 members within our Inclusion Network and we will take action to both grow and support it to be a fully empowered network of change agents.

6. We have appointed 17 Inclusion Reps and are working collaboratively with each of our recognised trade unions to objectively challenge our policies and ways of working and make recommendations for improvement.