

# ETHNICITY PAY GAP REPORT 2022

MARCH 2023

BEING YOU  AT LNER

**LNER**  
LONDON NORTH EASTERN RAILWAY



# INTRODUCTION



We want to be the most loved, respected and responsible train operator. To help us achieve this we need to build a workforce that is truly representative of the communities we serve while ensuring our colleagues can bring their true selves to work and reach their full potential.

We know that the working population in the UK has become increasingly diverse. Yet barriers remain, preventing people from ethnic minority backgrounds progressing through the ranks to senior roles. The COVID-19 pandemic highlighted the systemic inequalities across our society and we are aware of the disproportionate impact the pandemic had on ethnic groups from higher unemployment rates to mental health issues.

Ethnicity reporting is still voluntary in the UK, however we are proud to be pushing for transparency. This report sets out our ethnicity pay gap results and some of the measures we are taking to reduce the gap and create the culture and diversity we strive for.

**10 per cent of our colleagues are from an ethnic minority and we continue to strive for balanced representation across our business.**

This year we have seen an increase in our median ethnicity pay gap from 2.99 per cent in 2021 to 8.22 per cent in 2022. This gap tells us that there is still underrepresentation of ethnic minority employees in all roles. There is much work to do and although our pay gap will fluctuate year on year, we are focused on long term change. Our EDI strategy is well underway, and we continue to empower our leaders to create targeted attraction and development plans that build a workforce accurately representing our communities.

**David Horne, Managing Director**



Since signing the Race at Work Charter, we have developed plans that are aligned to the seven actions of the Charter so we can improve representation at all levels of the business. As the business' Ethnicity Sponsor, I am committed to work towards these actions by listening to our colleagues and exploring the barriers that exist to individuals from ethnic minorities looking to enter a career in rail. This is only part of our overall commitment and strategy for improving representation. We have a huge opportunity to challenge the status quo and ultimately make the changes needed to a workplace where everyone can be themselves at work.

**Claire Ansley, Customer Experience Director and sponsor of the Ethnicity agenda**

## Fast Facts

3,220

COLLEAGUES

10.7%

ethnic minorities

8%

senior leadership ethnic minorities

10%

train drivers from an ethnic minority group

8%

of colleagues on apprenticeships from an ethnic minority group



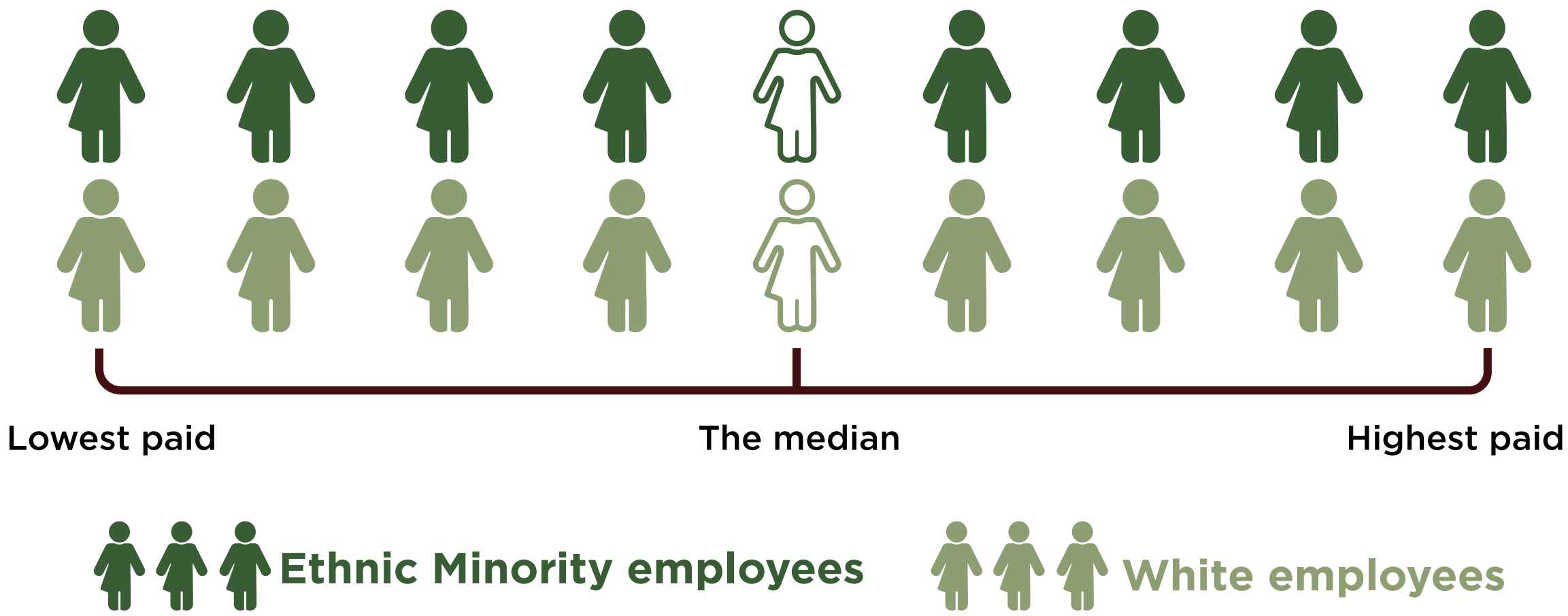
# DEFINITION

## What is the ethnicity pay gap?

For this report our ethnicity pay gap shows the difference in rate of pay for white, full-pay relevant employees and that of full-pay relevant employees from ethnic minority backgrounds using the same measures organisations are asked to report on for gender pay gaps. The term ethnic minority, as used in the UK, stands for all ethnic groups except the white group.

- **Median ethnicity pay gap** – 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 ethnic minority employee.
- **Mean ethnicity pay gap** – The mean pay gap is the difference between the average hourly rate of pay for ethnic minority colleagues, compared to the average hourly rate of pay for white colleagues, within a company.
- **Median bonus gap** – the difference between the middle bonus pay to a white employee (the person at the midpoint if you were to line all employees up) and the middle bonus pay of an ethnic minority employee.
- **Mean bonus gap** – the difference between the average bonus pay paid to white employees and that paid to employees from ethnic minorities.
- **Bonus proportions** – the proportions of employees from white and ethnic minorities who were paid bonus pay during the snap shot period.

- **Quarter pay bands** – the proportions of full-pay employees from white and ethnic minorities in our workforce if we split them into four equal quarters based on pay; lower, lower-middle, upper-middle and upper pay bands.





# OUR RESULTS

## Ethnicity pay gap

The ethnicity pay gap shows the difference in average pay between white and ethnic minority employees who have declared their ethnicity. After narrowing the gap over the past two years, we have seen an increase in our median ethnicity pay gap this year from 2.99 per cent in 2021 to 8.22 per cent in 2022. As our ethnic minority employees make up just ten percent of our workforce, the pay gaps will be sensitive to large fluctuations due to the relatively smaller sample size. We strive to increase representation across our business and pleased to report that in 2021, we saw an increase of five percentage points in the number of applications from candidates identifying as ethnic minority background.

We understand that the number of people disclosing their identity data influences our results. As of the snapshot date, 31 March 2022, a total of 84 per cent of our workforce have shared their ethnicity identity as part of data disclosure. We want to make more colleagues feel comfortable to share this information so we have an accurate view of our workforce and can make informed decisions around how to further improve diversity and inclusion at LNER.

The overall % difference between white and ethnic minority employees 2021	Mean (Average)	Median (Middle)
Ethnicity pay gap	12.09%	2.99%
Ethnicity bonus gap	36.75%	4.33%

The overall % difference between white and ethnic minority employees 2022	Mean (Average)	Median (Middle)
Ethnicity pay gap	14.36%	8.22%
Ethnicity bonus gap	1.74%	7.7%

84%  
of colleagues  
disclosing ethnicity data

## Auditing our pay structures

In 2022, we commissioned an independent pay equity audit to understand more about our gender and ethnicity pay. The audit indicated that overall, our pay arrangements were fair and equitable, with pay reflecting role requirements in terms of skills and experience. However, the audit indicated a higher ethnicity pay gap linked to age, specifically, for employees under 21. After further analysis we discovered the gap was directly related to the very small proportion of non-white colleagues in this age category. Our recruitment team are working with schools and colleges across our route to increase awareness of the roles available within LNER aimed at encouraging more diverse applications for our entry level roles.

## Bonus pay gap

This year our data shows a significant decrease in the mean bonus gap, this is due to a small number of employees (all of whom happened to identify as white) receiving a payment recognition of extra workload during the pandemic. Due to the way the mean is calculated our results show a significant drop in the bonus gap from 2021. As with the pay gap, due to our ethnic minority employees making up just

over ten percent of our workforce, the bonus gap is sensitive to large fluctuations due to the relatively smaller sample size.

Some of the non-management roles within our Customer Experience directorate earn commission based on food and ticket sales. Under Gender Pay Gap Reporting regulations (which we follow for Ethnicity reporting), these commission payments are classified as a bonus and are reflected in our Ethnicity Pay Bonus Gap results. With passenger numbers still below pre-pandemic levels, ticket and food sales have been lower as a result which means less commission for our front line teams.





# OUR RESULTS

Continued

## Proportion of white and ethnic minority employees receiving a bonus

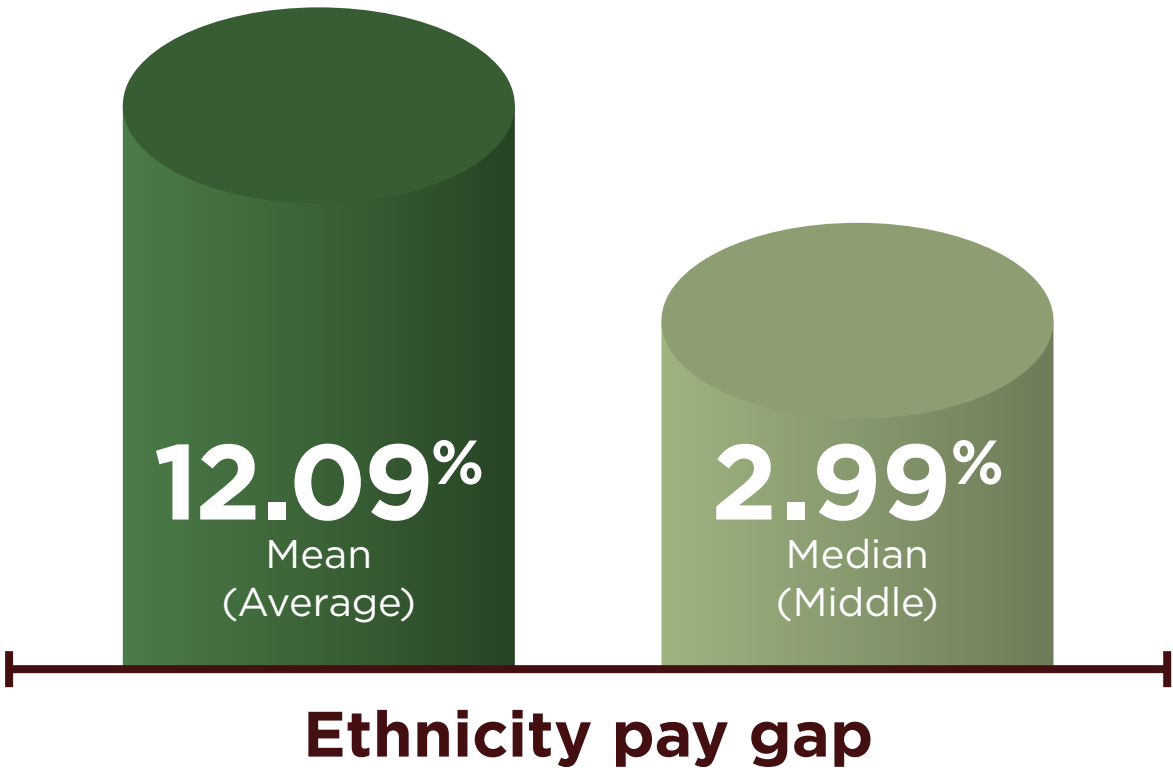
This graphic shows the per cent of white and ethnic minority employees who received a bonus during the 12 months from 1 April to 31 March 2022.

The majority of bonuses were paid out to the lower quarter roles this year which is where most of our ethnic minority population are employed.

 Ethnic Minority employees

 White employees

## The overall % difference between white and ethnic minority employees 2021



## The overall % difference between white and ethnic minority employees 2022





# ETHNICITY POPULATION BY PAY QUARTER

Ethnic minority representation is low across all quarters but is significantly lower at the senior level (upper quarter) and has generally remained the same since we began reporting in 2020.

In 2022, we have seen a reduction of 1 per cent in ethnic minorities in the upper pay quarter and an increase in the lower quarter, resulting in a rise in the ethnicity pay gap.



2021	White	Ethnic minority	Unknown	Prefer not to say
Lower Quarter	85%	9%	3%	2%
Middle Quarter	84%	10%	3%	4%
Upper Middle Quarter	86%	9%	1%	3%
Upper Quarter	90%	5%	1%	4%

2022	White	Ethnic minority	Unknown	Prefer not to say
Lower Quarter	81%	11%	6%	2%
Middle Quarter	84%	10%	3%	3%
Upper Middle Quarter	87%	9%	3%	0%
Upper Quarter	90%	4%	4%	2%



## Employees by ethnic identity

	% full pay relevant employees for Ethnicity Pay Gap
White	86%
Ethnic minority	8%
Unknown	3%
Prefer not to say	3%

As per the snapshot date, we had **84 per cent** of employees disclosing identity data.





# OUR JOURNEY

We have four areas of focus to help us address the ethnicity pay gap, our progress and plans across the areas are outlined below.



## Inspiring the future generation

The rail industry is an exciting, fast paced and dynamic place to work and we want to ensure we are accurately representing the communities we serve through the people who work at LNER. We believe that LNER, and the railway as a whole, offers fantastic, long-term career opportunities and it's our responsibility to break down the perceived barriers and promote this message to individuals across the breath of our route.

Our schools and educational outreach programme, *Tomorrow's Talent*, is now in its fourth year and continues to inspire young people from diverse backgrounds to consider a career in rail. To date, more than 500 13-18 year olds living within ten miles of the LNER route have taken part in the programme. In the 2022 programme there was 25 per cent female representation, as well as 37 per cent of participants from an ethnic minority background.

We work closely with our recruitment teams to reach young people from all backgrounds who might not consider a career in rail.

This year we have taken part in digital employer engagement sessions helping to promote employability skills among young people and raise aspirations to help reduce the number of NEETs (Not in Education, Employment, or Training). We also attended job fairs and hosted a careers insight day with national charity, *Speakers for Schools*.

*"At LNER we believe that inspiring the talent of tomorrow, the future generation of rail workers, is vital. We are proud to be able to provide this unique insight into the fantastic variety of careers our industry has to offer where young people across our route are given the opportunity to engage with and hear from experts in a wide range of fields. My own railway career started with a work experience week. Tomorrow's Talent is a brilliant way of showcasing the roles rail has to offer."* **David Horne, Managing Director**



## Attracting talent

Addressing our representation starts with how we talk about the dynamic and rewarding jobs in the railway.. In the last year, we placed significant focus on our EDI themes on our career's website to outline what our commitments are and how we strive to be an inclusive employer to all

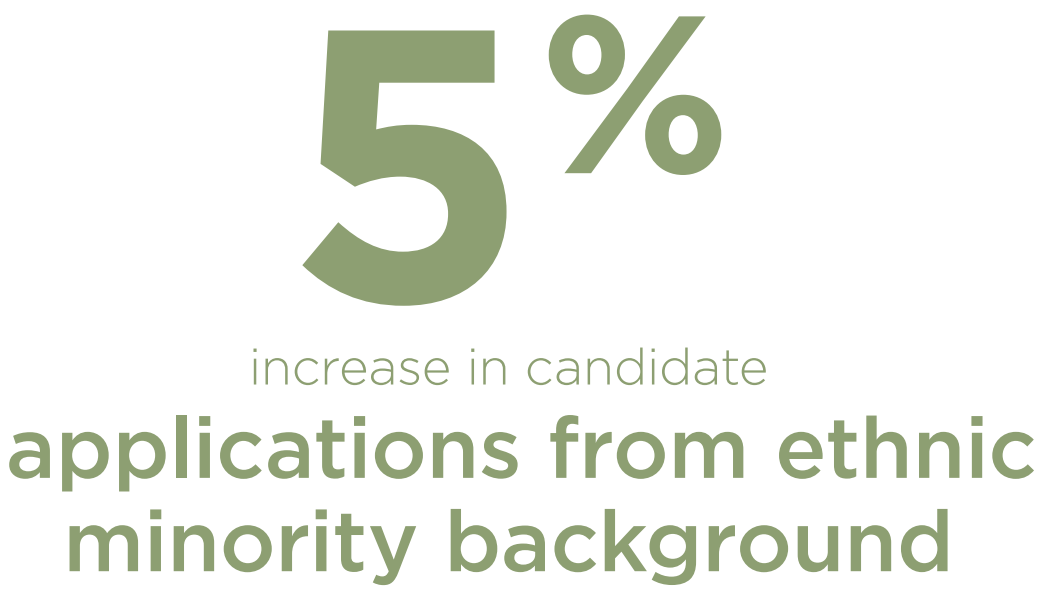
potential candidates. We also ensure our job adverts not only use inclusive language but also reference the key elements of the EDI strategy such as inclusion, diversity and health and wellbeing. As a next step, we will be holding a driver open day targeted at women and ethnic minority groups.

This year we trained our recruitment team on EDI and in 2023, we will roll out a new toolkit for hiring managers which outlines the importance of diversity within the business, providing them with guidance for ensuring diversity is considered at all touch points in the hiring process, including throughout the interview stage.

We know that social media plays a huge part in a job search for many of our candidates and that's why we have created attraction content which focuses on diversity, demonstrating our values as an inclusive employer. For example, our latest campaign for *National Apprenticeship Week* featured two of our newest colleagues who are on our apprenticeship scheme. Later this year we will be exploring how we can target underrepresented groups through paid for media content and advertising.

We support a number of our colleagues with their involvement as members of Muslims in Rail, an independent organisation who aim to connect, grow & inspire people working or

seeking a career in the rail industry. In 2022, we attended a number of Muslims in Rail recruitment events as part of our plans to attract more diverse applicants to our roles.



## Listening and learning

LNER commissioned *Business in the Community* in February 2022 to facilitate a listening forum with colleagues, resulting in a report with key learnings. A mix of colleagues with differing tenure in our business took part and the recommendation report focused on key themes; entering the rail industry and career development. As a result, we have refreshed our plans for talent acquisition to include:

- inclusive recruitment training for hiring managers,
- monitoring and tracking representation throughout the recruitment process
- reviewing data to understand trends in drop-out rates throughout all stages




# OUR JOURNEY

Continued

### Our pay and reward strategy

Our pay and reward strategy sets out our key drivers and ambitions in relations to rewards. They are as follows:

- To pay competitively, equitably and fairly to enable LNER to recruit, retain and develop a diverse, skilled and flexible workforce.
- Offers differentiation based on individual performance outcomes and aligned to the overall performance and affordability of our business.
- Is applied in a fair, consistent and transparent manner, in accordance with equal pay principles.
- Offers a competitive and attractive benefits package which aims to reward all employees and to encourage long term careers at LNER.
- Supports and helps deliver the changing business needs of LNER particularly during stages of growth.
- Attract quality colleagues in a customer focussed environment.



### Developing talent

We understand the importance of creating robust development pipelines and to ensure our people feel supported to progress into more senior and higher paid roles.

We want to be transparent about our commitment to representation across senior and business critical roles, that’s why we have recently redesigned our talent management approach. One of our key performance indicators for this new approach will be the diversity representation of the talent we are developing as successors into key positions in our business.

The diversity of our apprenticeship pool is a core component of maintaining our future talent pipeline. We continue to roll out campaigns and initiatives focused on increasing gender diversity throughout our apprenticeship schemes. Currently, 8 per cent of employees on apprenticeships identify as ethnic minority and we strive to increase this number. To help address the ethnicity representation in our train driver population we created a Train Driver Apprenticeship scheme and endeavour to report ethnicity data for this scheme in 2024.





# OUR JOURNEY

Continued



## Creating a great place to work

We want to build a culture that makes our people proud to work for LNER.

Last year, we created and embedded our Equality Impact Assessment (EQIA) process to ensure all new project work was began with an EDI lens. We want to be proactive about our inclusion agenda.

There is now a regular panel meeting of trained EQIA assessors which is made up of senior internal stakeholders and relevant SMEs, who meet to review any change programmes or initiatives that are not deemed business as usual. Changes are submitted and supported by the relevant areas of the business before being reviewed by the EQIA Review Group.

Each year we run our *Speak from the Heart* employee engagement survey to gauge how employees feel about working for LNER. Over the last 12 months we have been working on initiatives to help develop an inclusive culture within teams across the business. Our progress can be measured through the survey results which highlights areas we are focused on improving through our EDI strategy, including the use of inclusive language and behaviour.

This year, 69 per cent agreed with the statement “LNER values diversity” favourably.

In 2022 we also launched a Ramadan guide to fasting for safety critical roles providing colleagues with an overview of Islam and the month of Ramadan. The aim is to promote tolerance and respect for the associated religious practices by highlighting appropriate considerations and behaviours on the part of managers and colleagues.

Listening to our colleagues is an essential part of any strategy and is ever more important for our EDI approach. In 2022 we set out to understand the views of colleagues and hear what could be done to improve inclusion at LNER.



## Focus on culture at Kings Cross

The Employee Experience team collaborated with teams from Network Rail at Kings Cross Station to do a deep dive into the local culture, using an equality, diversity and inclusion lens. The review considered leadership, recruitment, local working practices and relationships as well as how employees perceive current culture, transparency, and the team dynamic. The results from our *Speak from the Heart* employee engagement survey highlighted a 70 per cent score from ethnic minority employees for inclusion.





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