

# Men from ethnic minorities earn 10% less than their white counterparts inside the same firm

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New research has found there are significant differences in the earnings between white and ethnic minority workers who are colleagues in the same workplace.

The research, co-led by Bayes Business School, UCL and the University of Cyprus, explores the scale of ethnic wage gaps among full-time employees after accounting for the segregation of white and ethnic [minority](#) employees into different types of workplaces.

Using nationally representative survey data for Great Britain that includes detailed information about employees, their co-workers, and the firms that they work for, the report is the first-of-its-kind in the UK to show that most of the aggregate wage gap exists within the [workplace](#), between white and [ethnic minority](#) co-workers, as opposed to arising across high and low wage firms.

The research, which is co-authored by Dr. John Forth, Senior Lecturer in Human Resource Management at Bayes, indicates that employers should put more emphasis on ensuring fairness in pay setting in order to reduce pay equality in the workplace.

One possible explanation for the economy-level pay gap between white and ethnic minority employees is that ethnic minorities may work in firms that pay relatively low wages to all their workers, whereas white employees are more likely to be found in high wage firms. However, this new study shows that a wage gap persists between ethnic minority and white employees, on average, after accounting for differences in educational qualifications, job type and the characteristics of the firms in which they work.

Findings include:

- Male employees from ethnic minority backgrounds earn around 10 percent less, on average, than white co-workers with the same characteristics.
- Female employees from ethnic minority backgrounds earn around seven percent less, on average, than their white female co-

workers with the same characteristics.

- Male and female employees from ethnic minority backgrounds are more likely than white employees to feel over-skilled in their role and are less satisfied than white employees with their earnings.

Findings showed that the average ethnic wage penalty is around one-third smaller in workplaces with a job evaluation scheme as in workplaces without a scheme. The ethnic wage penalty is also smaller in workplaces with a recognized trade union. In contrast, the ethnic wage gap is no smaller in workplaces that have voluntarily reviewed relative pay rates by ethnicity than in workplaces that have not.

In March 2022, the UK government decided against legislation that would require all large companies to report their ethnic pay gap, even though a requirement for all firms with 250 or more employees in the UK to report on their gender wage gap has been found to reduce the gender wage penalty by 15-20 percent. The research by Dr. Forth and his colleagues indicates that leaving employers voluntarily to review pay rates is unlikely to lead to progress, unless it also leads to changes in how companies set wages.

Dr. Forth says that "while there may have been explanations for ethnicity pay gaps across different sectors and careers, this is the first research to show that the problem extends to those with comparative positions within companies."

"The research paper intensifies the need for measures which bring about greater fairness in pay setting within firms."

Alex Bryson, Professor of Quantitative Social Science at UCL's Social Research Institute, says that "whereas the [gender wage gap](#) has been gradually closing in Britain for some time, ethnic [wage](#) gaps have not

been closing. Ours is the first study to show that most of the earnings disparities across ethnic groups in Britain occur within workplaces, rather than across workplaces. This means employers need to do more to ensure employees from ethnic minority groups are treated fairly in the workplace."

The research is published in the *British Journal of Industrial Relations*.

**More information:** John Forth et al, The role of the workplace in ethnic wage differentials, *British Journal of Industrial Relations* (2022). [DOI: 10.1111/bjir.12696](https://doi.org/10.1111/bjir.12696)

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