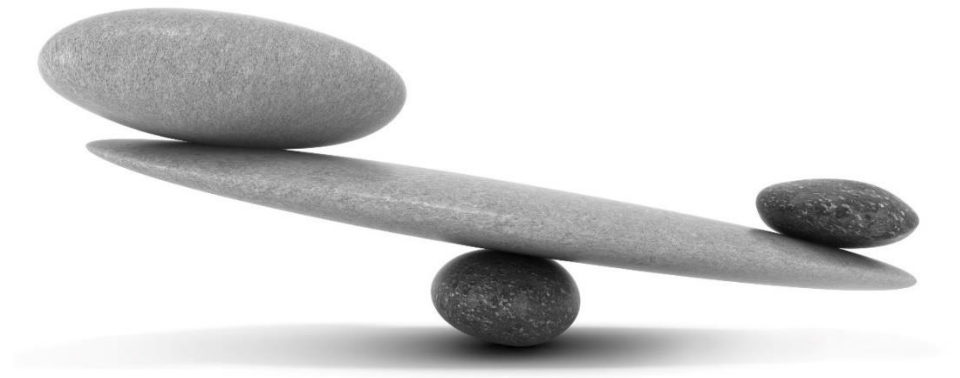




The Prince's
Responsible
Business Network

DIVERSITY OBJECTIVES AND PERFORMANCE APPRAISAL

Toolkit



Royal Founding Patron: HRH The Prince of Wales
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Introduction

Transparent standards and consistent assessment against these standards must be fundamental to a fair performance appraisal system.

As a minimum, diversity objectives should be allocated to all employees in the organisation with line management responsibilities.

The Race at Work Charter has five calls to action. This toolkit supports action four –

- Make clear that supporting equality in the workplace is the responsibility of all leaders and managers.

Actions can include ensuring that performance objectives for leaders and managers cover their responsibilities to support fairness for staff.

- The *Race at Work 2018* scorecard report highlighted that there was a drop in the percentage of managers with performance objectives to promote equality since 2015.
- In addition, it highlighted that Black, Asian and Minority Ethnic (BAME) managers were more likely to have a performance objective to promote diversity and inclusion than white managers.

There is no clear research of insight available as to why this might be, however, it confirms that one of the key recommendations from the *Race at Work 2015* report is: “**Set objectives for managers at every level around ensuring diversity and inclusion in their teams.** These should include ensuring diverse talent has equal access to training, development opportunities and progression programmes.”

In 2018 there are differences between ethnicities in their experience of performance reviews. BAME employees are more likely than those from a White British background to report that they had a performance review (78% compared with 67%).

BAME employees (44%) are subsequently more likely than White British employees (34%) to have received a standard performance review with no difference in the proportions receiving outstanding or an unsatisfactory performance review.

There should be Specific, Measurable, Achievable, Realistic and Time bound (SMART) performance objectives for individuals, teams, projects, and in some instances, the organisation. Managers have a key role to play to ensure fairness in performance appraisal outcomes for individuals.





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This toolkit has been developed to support the employers in our network to ensure both policies and actions are in place that result in a fairer distribution of appraisal markings across all demographic groups in the workplace.

Whilst the emphasis is to ensure that as a minimum standard all employees with management responsibilities have diversity related objectives, our [Equality, Diversity and Discrimination in the Workplace report \(2015\)](#) from The University of Manchester indicates that individuals in teams could benefit from diversity objectives to increase their own knowledge and understanding of employees from diverse cultural heritages, appreciate difference and take action to promote inclusion within their teams.

Sandra Kerr OBE
Race Equality Director
Business in the Community





1/ Create a policy

Overview

It is important to ensure a policy on equality and fairness in performance appraisal exists within your organisation. Promoting equality and fairness in your appraisal processes should be a part of

the induction process for new employees entering the organisation and the message should be reinforced during every appraisal cycle.

Actively encourage ongoing feedback and conversations about performance objectives throughout the year. It may also be sensible to discuss possible predicted performance markings for year-end and ensure there is clarity on what is needed to achieve that performance at the beginning of the year. Regular one-to-one and interim conversations can be used to assess if performance is on track. This enables any adjustments to be made during the year to ensure expectations on both sides are identified and managed early.

Associated policies on access to development and training should also be widely communicated together with any relevant forms, resources and related web links for internal intranet and/or external sources as appropriate.



Actions to take

Practical actions to bring your policy to life:

- Employers should set high level organisational diversity objectives from which objectives for business units, managers and individuals can flow. (See the following Public Health England (PHE) example)
- Agree standard setting for best practice in performance management across all business units in your organisation.
- Provide clear instructions on how to complete the necessary forms. Ensure that this includes customised materials for managers, individuals and where appropriate, external stakeholders or third parties.
- Provide training (face-to-face and/or e-learning) for all line managers on how to conduct effective performance appraisals. This training should be mandatory for all new managers and refresher modules should be available for those returning to management roles.
- Provide your employees with materials that give examples of what a good assessment would look and feel like.
- Ensure the policy signposts the chain of action should disputes arise at the time of performance review or if an appraisal

summary indicates bias from the appraiser and/or reviewing manager.

- Underpin policy with a Code of Practice and/or appraisal handbook for managers and individuals setting out individual roles and responsibilities.

Impact Story 1 – Public Health England (PHE) – An example of an organisation's high-level diversity objectives

Diversity and staff inclusion and health and wellbeing outcomes

- We will develop all our people managers' understanding of the link between effective diversity and staff inclusion and the future impact on physical and mental health of the actions and behaviours of managers and colleagues.
- We will do this by ensuring that 100% of PHE staff with people management responsibility attend a management seminar, which provide inspirational and tangible training for managers in creating inclusive and engaging working cultures, whilst in tandem with meeting PHE's mission and business objectives.





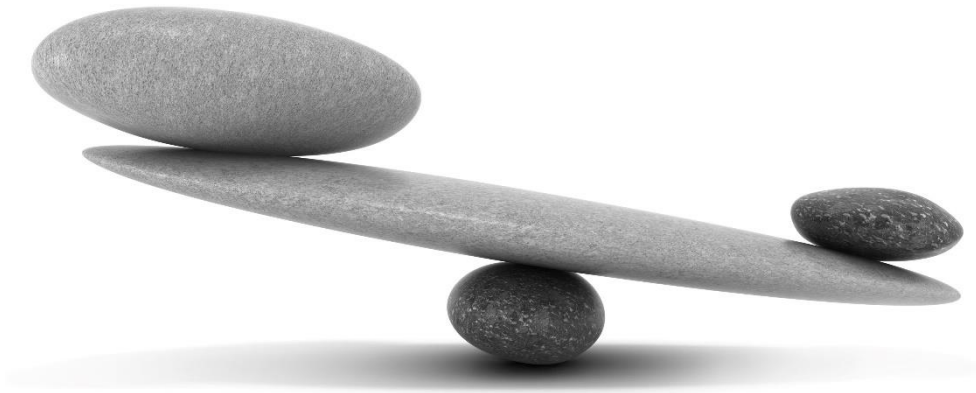
Workforce composition

- We will aim to hold 100% of data on our staff in reference to their age, gender, ethnicity, sexual orientation, religion/belief and disability, so that our newly created diversity dashboard is able to provide accurate and meaningful data to all directorate SMTs, to use as evidence supporting the action they have taken to address their respective objectives in tackling workforce inequality within their teams.
- PHE will aim for the same proportion of protected groups represented in the overall composition of the workforce to be mirrored at every grade and in every directorate.

Talent management

- We will establish talent management schemes tailored for developing staff from the main six protected characteristics, with an objective of taking at least 60 staff through the full programme.





2/ Support your policy with practical materials

Overview

It is important that any policy is underpinned with practical materials. This might include a Managers' Appraisal Hand Book or an Employee Appraisal Hand Book.

Create guidelines for setting SMART objectives. Create a template for regular assessment against these objectives during the

performance year to ensure objectives are clearly defined with the level of performance required.

A selection of diversity objectives for senior leaders, managers and individuals could be provided to help people start their thinking about what their objectives should be. Materials need to be easily accessible to managers and individuals at any time.

Engage senior leaders in cascading the performance information and/or best practice within their own business units so that they set a good leadership example and ensure it is not seen purely as just a HR process.

Actions to take

Practical actions to engage leaders and stakeholders

- Ensure the appraisal handbook for managers is accessible to all employees so that they are aware of the organisational standard.
- Consider some aspect of 360 degree or upward feedback for the manager as part of the appraisal process.



- Prepare draft diversity objectives customised for leaders, managers and individuals in the organisation that they can use as guidelines to prepare their own objectives or adopt as their own. Also consider unconscious bias information/training for those conducting appraisals.
- Engage your Employee Network Groups to support you to test the effectiveness of subject areas and scope of the diversity objectives.
- Consider a diversity performance scorecard for business units which includes balanced performance ratings across all ethnicity groups.
- Consider short training workshops or webinars for staff to help them navigate the performance process and ask any questions they may have.
- Review the overall box marking performance ratings by diverse groups and create an action plan to close performance gaps.
- Link the process to any broader career development training that might be available for employees to ensure that staff receive the most benefit career conversations held with their line manager. This provides a great opportunity to build understanding and encourages individual ownership for driving their career.





3/ Communicate the tools and materials available

Overview

Encourage a culture of openness and transparency. Diversity objectives for board level and senior leaders should be widely

published among their own teams and across organisation communication channels.

When setting objectives for managers at every level to ensure diversity/inclusion, those objectives need to be clearly linked as core requirements for performance and financial rewards. This is important to ensure that the diversity objective is not just seen as a current 'nice to have' but is embedded in delivering business priorities and managing talent effectively.

Diversity objectives should also be shared with external stakeholders that impact on employees' performance be it customers, clients and service users and local community and/or voluntary sectors.

It is important that your commitment to fairness and equality is well communicated as bias in the appraisal system could result in disproportionate levels of attrition and all the related costs of diverse talent moving on to other organisations.

A key finding from [Race to Progress: Breaking down the Barriers \(2011\)](#) was that nearly 1 in 2 BAME employees felt they had to leave their current employment to progress. If your appraisal system is a key component to the progression and opportunities process within your organisation, you need to communicate your commitment to



take action to ensure that your performance appraisal system is free from bias.

It is important to communicate the standards against which all employees will be assessed and reviewed. There should be development steps in place for employees to achieve medium term, multi-year goals as they upskill to get promoted.

These steps should be open and transparent and worked through systematically through on- to-one conversations until the individual is deemed to have achieved/exceeded the standard.

The more transparent the process, the more onus on individuals to understand and set their own goals and targets for their performance. It also provides increased clarity on how to navigate the performance and improvement processes. And most importantly, there will be a clear evidence-based trail of the individual's performance when they progress.

It is important to ensure the objectives meet the SMART standards.

A number of employers use a diversity scorecard which sits alongside other key business objectives for senior leaders. Most of these scorecards tend to focus on increasing diversity based on gender. These should be reviewed to consider ethnic minority recruitment,

retention and progression and can be considered for appraisal and performance markings in collaboration with each business unit's HR lead.

Actions to take

- Use existing internal communication channels to ensure diversity objectives for leaders are transparent and performance against them easy to access.
- Explore ways to ensure that diversity objectives are linked to pay and performance and ensure that this is communicated clearly. This might be achieved by a diversity objective linked to inclusive leadership or contributing to developing and progressing diverse talent within your teams.
- Ensure third party stakeholders are aware of the standards of performance that you are upholding and ensure there is agreement that continued collaboration with them will be to that standard.
- If you have contractors who are key to your organisation delivering excellent performance you should explore ways to ensure that they perform the delivery of their services to you with your diversity objective as a shared goal and aspiration.





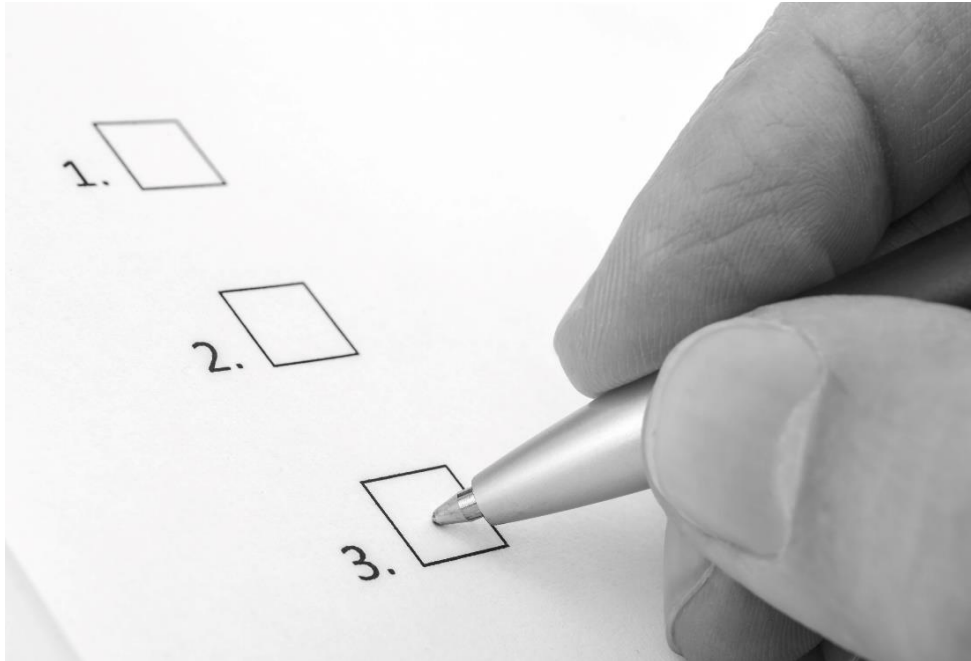
- Encourage a culture of openness which increases transparency on good practice. Report publicly on performance against diversity objectives. This enables you to share ideas of good practice to inspire others about the actions that they can take.
- If there are no improved results evident but action has been taken that is directionally positive you can share those actions and plans. Any positive actions that you are taking or have in planning should be recorded. It is helpful to track and record progress towards achievement of objectives. Progress in the right direction should be celebrated, be it large or small steps.
- Sharing objectives provides insight and alternative ideas that other business units in the organisation could also set for themselves.
- Communicate the competencies and standards for all performance levels across the organisation. Ensure that the assessment of these standards are applied equally.
- Provide comprehensive written and oral feedback where there are identified performance gaps. Encourage employees into open conversation which might include permission or encouragement to challenge the feedback. This will enable clear goals and practical actions to be set to demonstrate evidence of effective

performance. Future goals and development conversations could be incorporated at this time.

- The greater the quality of feedback, discussion, understanding and expectation of next steps by the appraiser and employee, the greater likelihood of progression, as well as ensuring fair assessment of performance and that the appropriate performance ratings are awarded.
- Emphasise in any guidance the need for both manager and employee to actively drive the engagement to ensure that the feedback is regular, constructive and specific.
- Agreement on the actions is also essential to ensure there is an open and timely review of attainment in the year. This should enable the performance standard agreed by both parties at the beginning of the year to be regularly tracked.

A culture of ongoing review and continuous improvement enable any significant achievements to be recognised and attributed to the individual. If appropriate, it also enables any needed adjustments to be identified and any necessary adjustments or actions to be taken. Be aware that some things should be confidential and should not be included without the full agreement of the employee being appraised.





4/ Review the performance markings distributions

Overview

Our race benchmark identified three consistent correlations – BAME employees are:

- less likely to receive one of the top two performance markings, when compared to their white peer group.
- less likely to be identified as high potential.
- less likely to be put forward for management training.

We recommend organisations review the performance marking distributions in their organisation annually.

We recommend that this review also includes an analysis of applications and attendance at management and development training opportunities. You should also include an analysis of the scoring of diverse employees as part of your talent management assessments.

Actions to take

- Use the data to examine the distribution of performance markings by demographic group. This should also be reviewed by level and job role. HR should moderate the performance appraisal process across the organisation so that in general, it is being applied and implemented consistently.
- If there are units where there is parity in performance allocation and markings, ask HR to do a scrutiny of it to identify what that unit is doing differently from other parts of the organisation and



share the learning. Equally HR should look out for any areas of concern that may need targeted intervention.

- Convene focus groups by ethnicity, job level location, or job role in response to what the data tells you, to better understand what adjustments the organisation can make.
- Overlay the findings from the review of the performance data together with employee survey results and include employee tenure at certain performance marking levels. The individual may need more challenging objectives.





5/ Engage leaders to take action to eradicate disparities

Overview

It is important to engage the Chief Executive, senior leaders and reviewing managers as part of any review as it may unearth structural barriers.

There may be ‘internal’ occupational segregation issues that are contributing to lower performance marking distributions.

This may relate to certain roles rarely attracting the higher performance ratings which reduces the opportunity for anyone from the job unit or working at a certain level to receive a higher rating.

Senior leaders can be actively engaged by being asked to attend diversity forums or to be diversity champions for employee networks to encourage accountability and visibility. Transparency around targets and reporting on all aspects of diversity is needed to ensure real progress is made on eradicating disparities.

Actions to take

- Leaders should demonstrate their commitment to communicate clearly the results of the review and identify structural barriers where they are spotlighted.
- Engage the senior board on tackling any structural barriers. Identify and gain commitment to ensure balanced representation of diverse employees in central functions and those roles more likely to attract higher performance ratings.



- Review internal job roles to redress any negative weighting linked to certain roles and ensure top performance ratings are possible no matter what role you are in.
- Ensure ethnically diverse people are involved in the performance management process if this involves performance and pay review committees i.e., panel members/observers independent of the unit or business area to avoid “group think”.
- Employee network groups can provide individuals to participate and/or observe these committees and ensure they maintain the organisational standard of performance and assessment against competencies set out in any appraisal guidance.
- Establish agreement to ensure that Employee Network Groups are actively and frequently engaged. It is important to include the voices of your ethnic minority employees and stakeholders when it relates to race related diversity objectives/measures.





6/ Evaluate results and impact on pay and reward gaps

Overview

If performance appraisal markings have an impact on pay and reward you should consider an evaluation of the appraisal process on the potential pay gaps for BAME and white employees.

Analysis of the ONS census data by the TUC highlighted that black workers with degrees earn 23.1% less than white workers with degrees.

It also found that the pay gap with white workers for all groups, regardless of their educational attainment, is 5.6% for BAME workers and 12.8% for black workers.

Employers should consider reviewing pay gaps by ethnicity as well as by gender.

Actions to take

- Overlaying the analysis and looking at the distribution of box marking by job role and location may demonstrate that more fundamental structural barriers are in place because of the perceived scope of some roles to attract higher performance markings. For example, this could be a Head Office, policy development, marketing or communications role where employees work closely with the Chief Executive, Permanent Secretary or other senior executives in contrast to a branch network, frontline delivery or customer facing role.
- Any disparities in performance markings should be reviewed for their impact on pay and reward. Some of the longer- term



impacts like retention of BAME employees in comparison to the wider workforce should also be scrutinised. Linking diversity objectives to an overall target to reduce attrition can provide clear focus and measurable results as evidence of achieving the objectives. There is a Royal Mail example of this in section seven of this toolkit.

- Examine your organisation's data to understand if a pay gap exists for gender and if one exists for BAME people/groups.
- Review how the appraisal performance markings will potentially impact on the pay gap be it to widen or narrow it.
- Review structural barriers which perpetuate pay gaps and act to reorganise, or restructure to change them.
- Create action plans to close gaps on pay where there is a disparity of pay and performance rating. Where this differs, there may be a need to look at historic disparities in performance rating trends that have contributed to the current status.

- Be transparent and open about findings and collaborate with all key stakeholders in the organisation to agree action and the way forward.
- Senior leaders' diversity objectives might include tackling structural barriers within their unit of the organisation to ensure the pay gaps for ethnicity year on year begin to narrow.





7/ Impact stories and references

Impact story from the Royal Mail that connects diversity objectives to organisational targets

Retention	Target	Objectives to meet target	Suggested supporting work	Rationale
	Reduce attrition to X% with a specific focus on gender retention and senior level BAME retention initiatives.	Within the next (3) months, create a list of historical issues which has lead to the loss of female and senior level BAME employees.	<ul style="list-style-type: none"> -Review exit interview feedback for your function/unit for the past year from your Diversity Champion. -Work with HR to analyse exit interview data. -Identify any patterns or issues which explain the loss of female/senior BAME staff, e.g., flexibility of work, bullying and harassment, lack of development/ progression etc. -Review onboarding interview data. 	<p>Understanding why people have left is a good way to understand what steps may be taken to improve retention.</p> <p>Understanding the factors that may lead to an increased propensity for departure may point to opportunities to avoid unwanted attrition.</p>
	Reduce attrition to X% with a specific focus on gender retention and senior level BAME retention initiatives.	Having identified any historical retention issues and from your knowledge of the unit/team, within the next (6) months, create individual and unit wide action plans to meet any specific needs identified within the unit/function to retain women/BAME employees.	<p>Discussions around individual specific needs can form part of usual 1:2:1/ development discussions. Examples of steps which could be considered include:</p> <ul style="list-style-type: none"> -Identifying and appointing an appropriate mentor -Identifying any training needs -Adjusting duties -Consideration of flexible working arrangements <p>Unit wide initiatives may be appropriate to improve morale/engagement if this is identified as a barrier to retention</p>	<p>Engaging on an individual and wider basis, addressing specifically identified retention barriers will improve morale and improve retention rates.</p> <p>Important note: Individual action plans should be considered not only for under-represented groups but for all employees.</p>





Examples from Royal Mail that focus on recruitment, progression and retention

Examples of diversity objectives: recruitment

Targets: X% of the workforce is from a BAME background (based on national, regional or sector specific benchmark) – 2011 Census is often used as a benchmark but worth considering BAME representation by geographical, functional, grade levels
X% of all new recruits into the organisation should be BAME (based on industry or sector specific benchmarks)

Some actions to take to support the achievement of this objective might include:

- Before recruiting for any role, identify if there are any barriers which may limit BAME applicants. If any barriers are identified, take reasonable action to remove them, or record where no steps were possible.
- Where is the vacant role to be advertised? Could it be advertised anywhere else which might get more BAME views e.g. BAME publications, social media, at job fairs?
- What are the proposed requirements for the role with regards to e.g., hours of work, location, days of work? Could the role in fact be scoped with more emphasis on flexibility?

Examples of diversity objectives: Progression

Target: BAME successor/s identified for X% of senior roles (set an ambitious, yet realistic and evidence-based target)

Some actions to take to support the achievement of this objective might include:

- Within the next 3 – 6 months, create personalised action plans for all potential BAME successors:
 - in order to meet any specific development needs to enable readiness
 - in order to support progression/ succession into the identified role.

Review the action plans quarterly.

Examples of diversity objectives: retaining diversity in your talent pipeline

Reduce attrition X% with a specific focus on BAME retention.

Some actions to take to support the achievement of this objective might include:

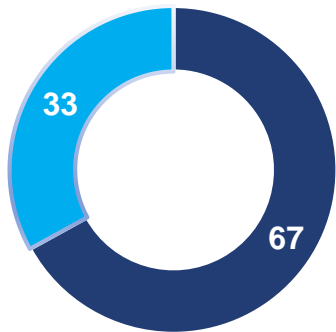
- Review exit interview feedback for your function/unit for the past year from your Diversity Champion.
- Work with HR to analyse exit interview data.



8/ Additional insight

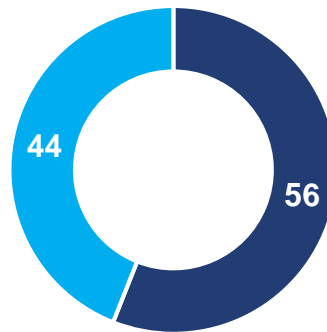
Figure 1: Does your Board and senior team have personal performance objectives on diversity that include action on race? (Best Employers for Race survey 2018)

Overall



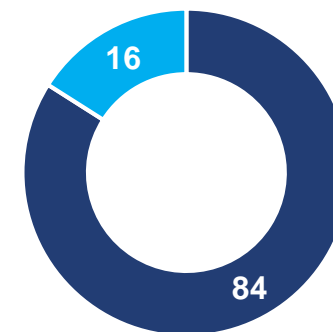
■ Yes ■ No

Private Sector



■ Yes ■ No

Public Sector



■ Yes ■ No

Figure 2: Do your line managers have diversity performance objectives to take action to facilitate the development and progression of diverse BAME talent within their teams – all saying yes? (Best Employers for Race survey 2017 and 2018)

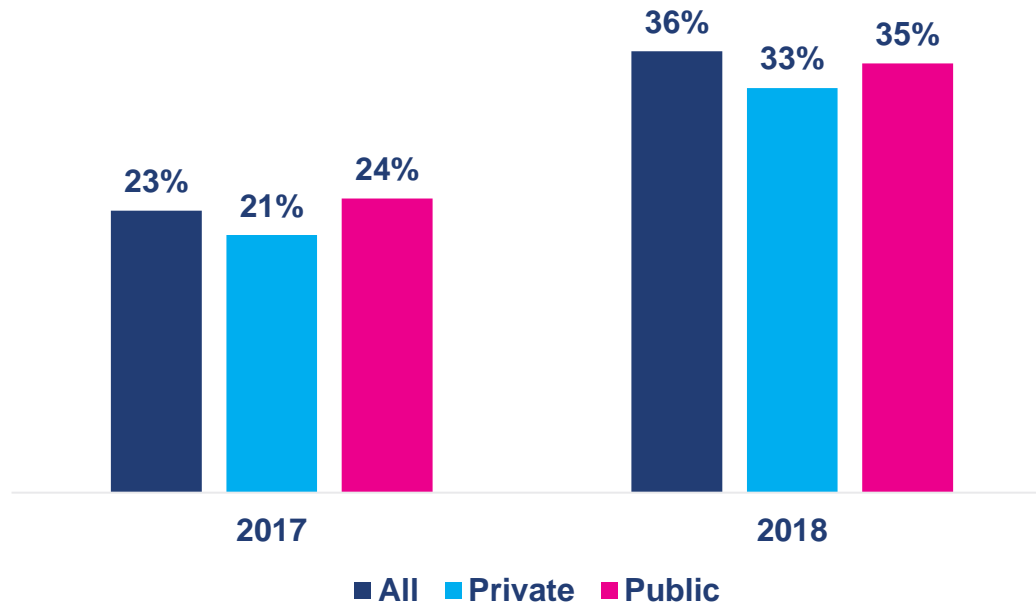
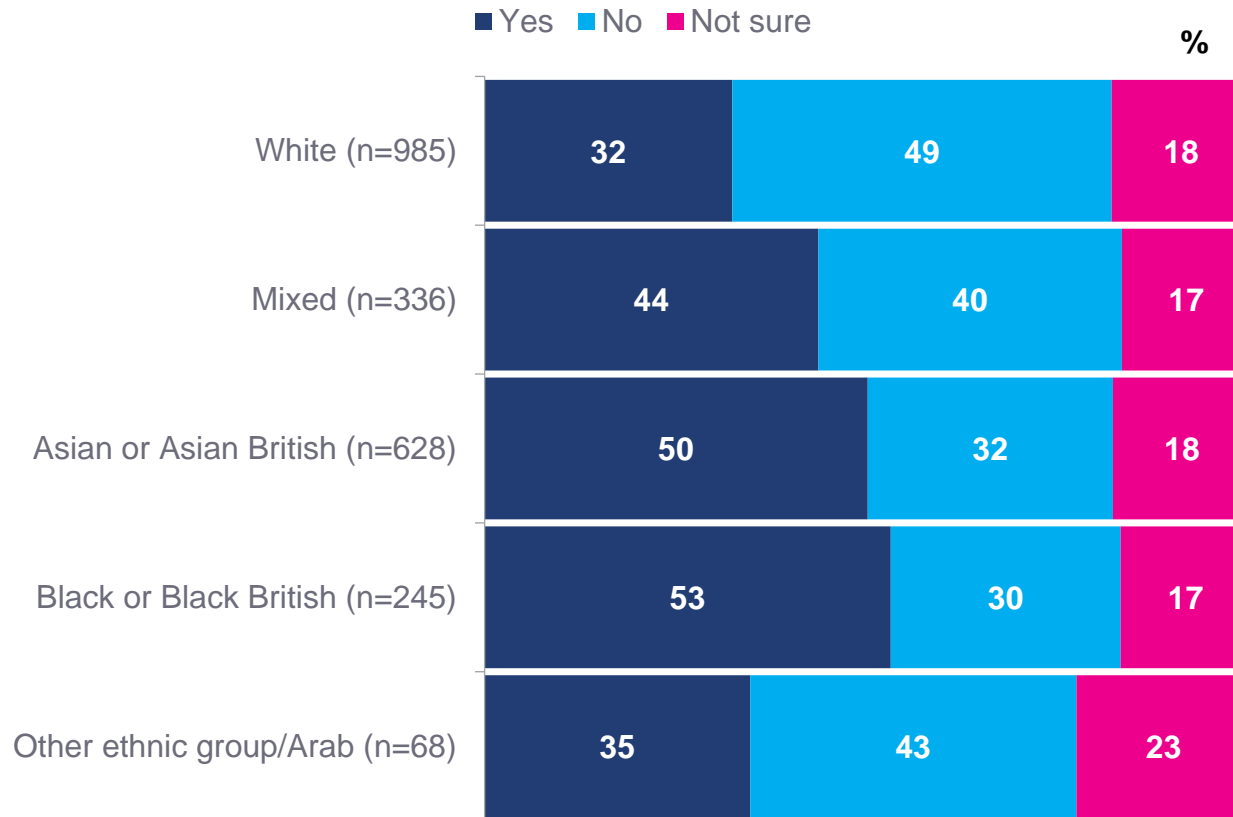
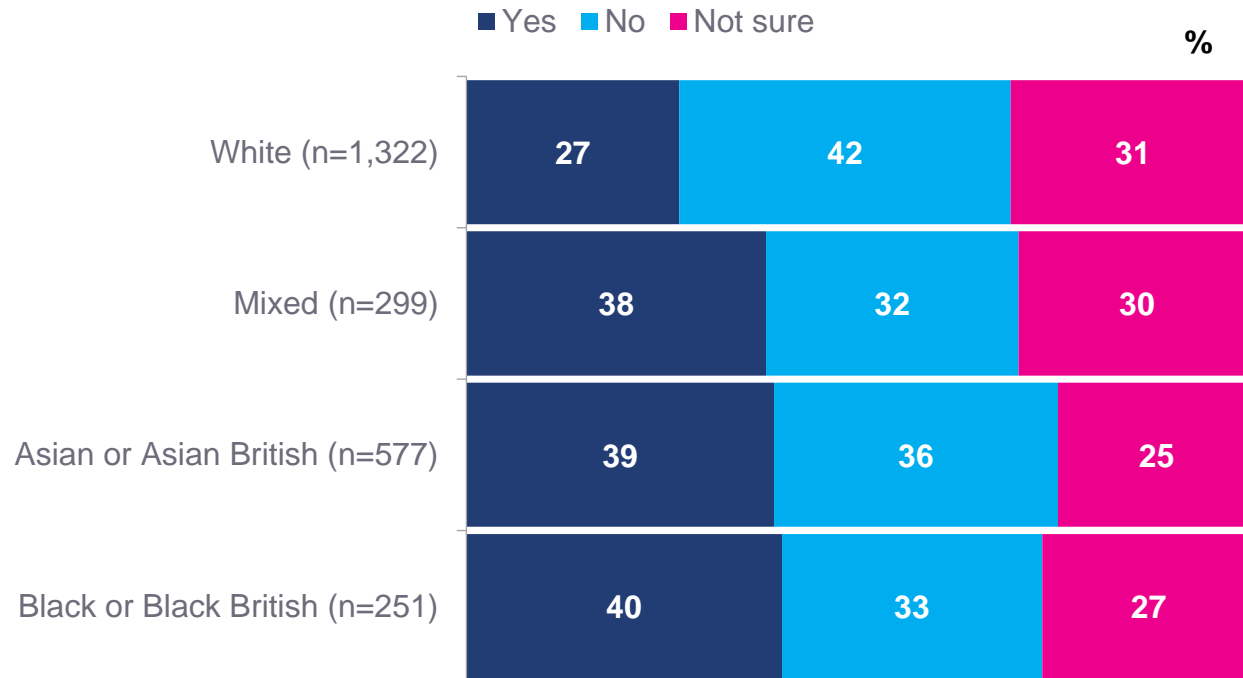


Figure 3: Do you have a performance objective to promote equality at work? – by ethnicity (Race at Work survey 2015)



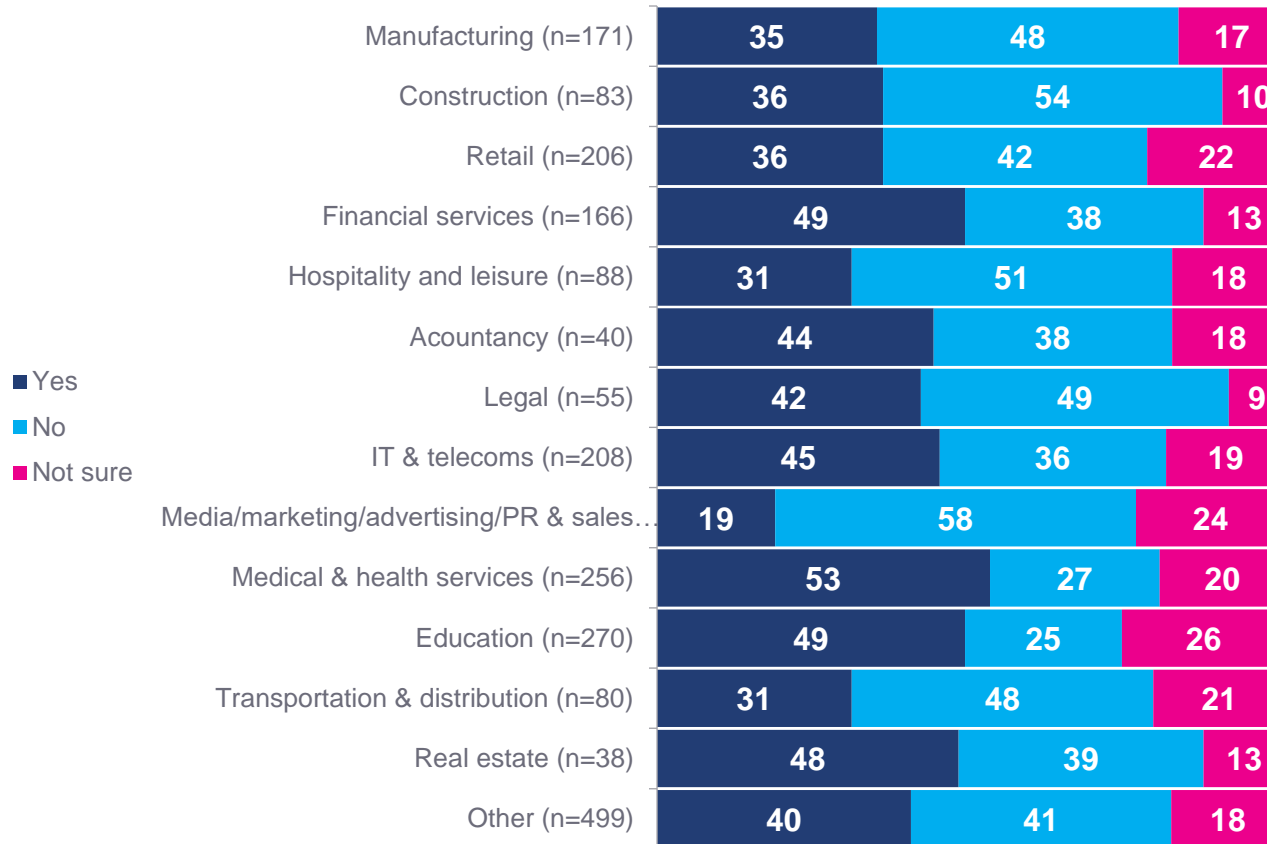
Base: All managers, bases as indicated.

Figure 3a: Do you have a performance objective to promote equality at work? – by ethnicity (Race at Work survey 2018)



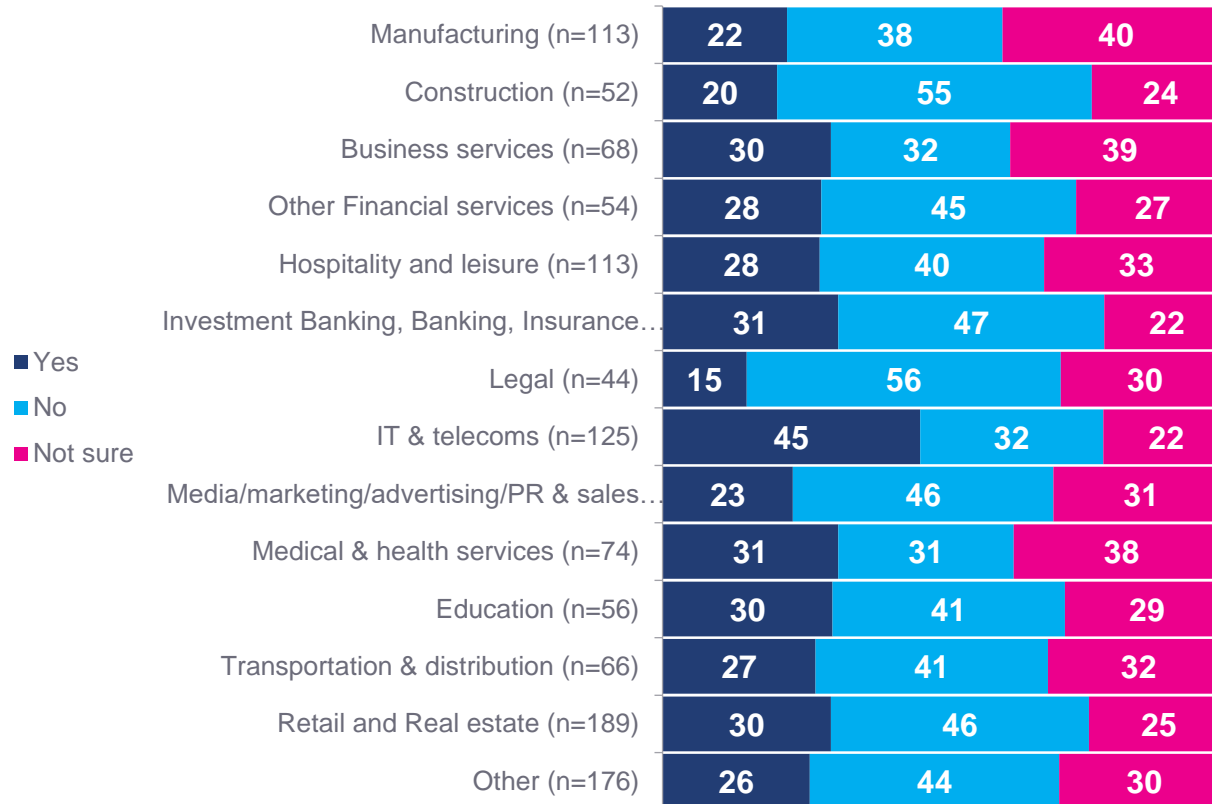
Base: All managers, bases as indicated

Figure 4: Do you have a performance objective to promote equality at work? – by industry (Race at Work survey 2015)



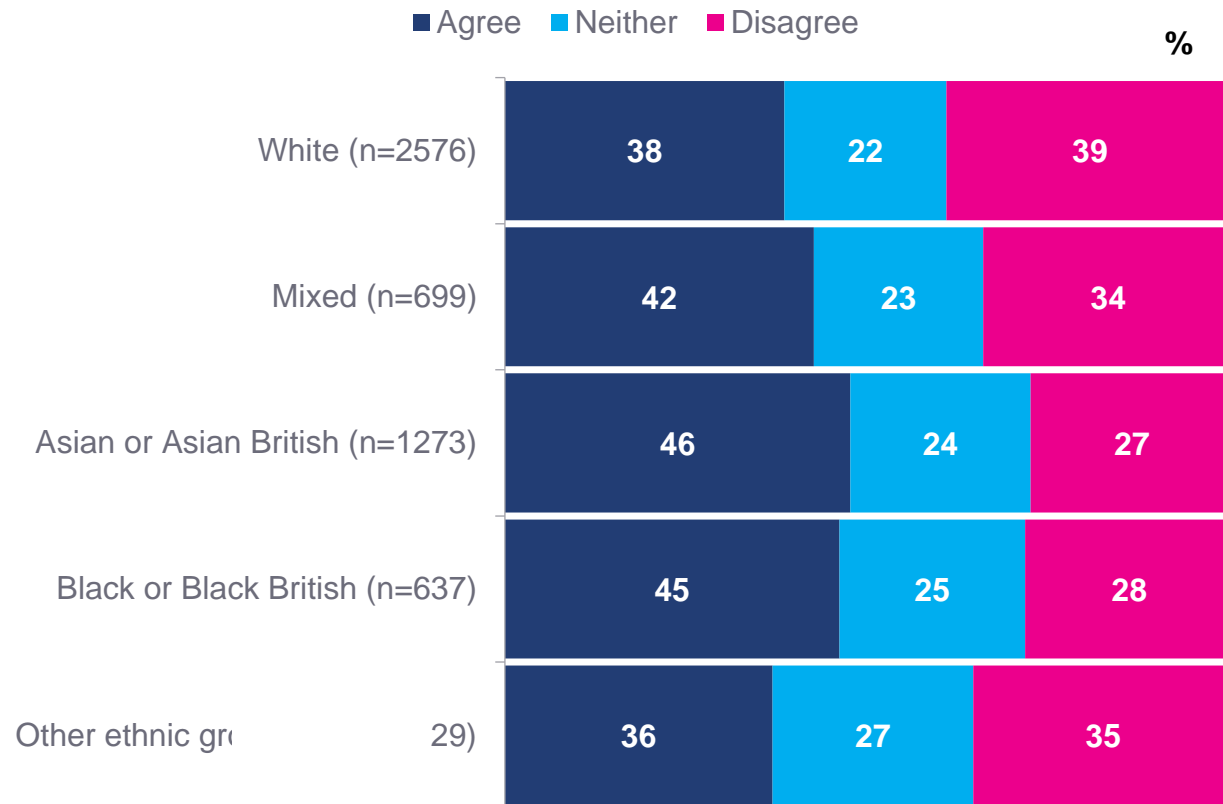
Base: All managers, bases as indicated.

Figure 4a: Do you have a performance objective to promote equality at work? – by industry (Race at Work survey 2018)



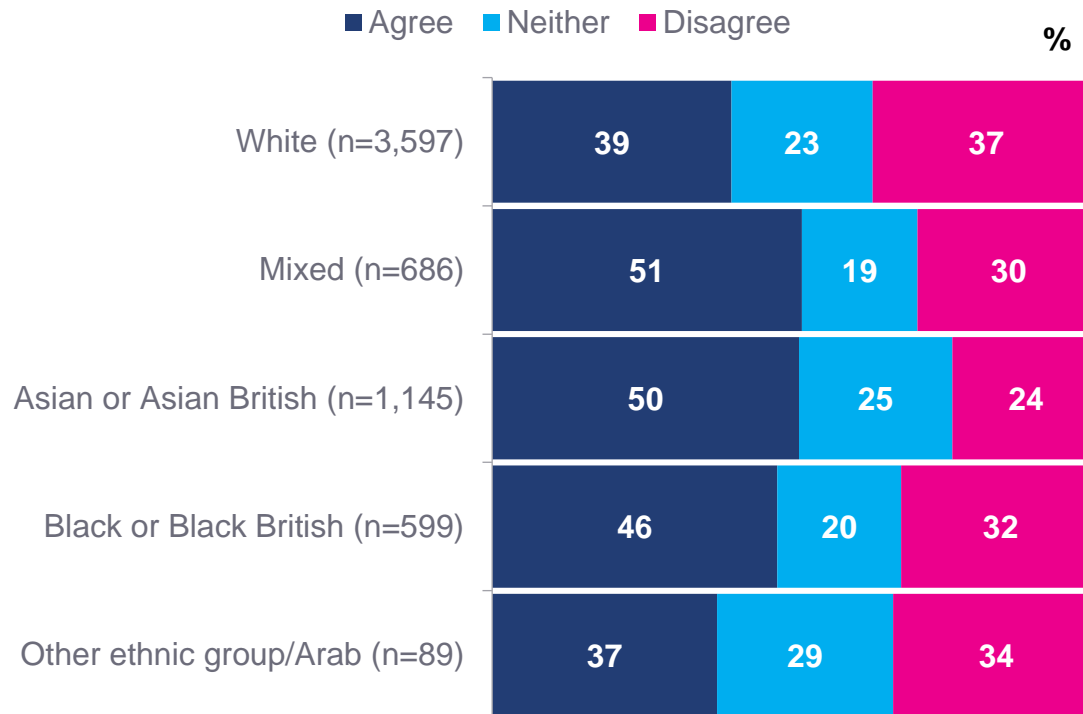
Base: All managers, bases as indicated.

Figure 5: 'I am given regular and effective feedback from my line manager that helps me to develop' – by ethnicity (Race at Work survey 2015)



Base: All employees with a manager, supervisor, boss or someone they report to. Bases as indicated. 'Don't know' not charted.

Figure 5a: 'I am given regular and effective feedback from my line manager that helps me to develop' – by ethnicity (Race at Work survey 2018)



Base: All employees with a manager, supervisor, boss or someone they report to. Bases as indicated. 'Don't know' not charted.



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Further reading

Business in the Community Race at Work Report 2018

<https://race.bitc.org.uk/all-resources/research-articles/race-work-scorecard-report-2018>

Race at Work Charter <https://race.bitc.org.uk/issues/racecharter>

TUC analysis of ONS data, 1 February 2016

<https://www.tuc.org.uk/equality-issues/black-workers/labour-market/black-workers-degrees-earn-quarter-less-white>

Business in the Community Race at Work Report 2015

<http://race.bitc.org.uk/all-resources/research-articles/race-work-report>

Business in the Community Race trends paper 2014

<http://race.bitc.org.uk/all-resources/research-articles/benchmark-survey-2014-trends-analysis-performance-and-appraisal-0>

Race to Progress – Breaking down barriers 2011

<http://race.bitc.org.uk/all-resources/research-articles/race-progress>

Bridging the Value Gap 2011 [http://race.bitc.org.uk/all-](http://race.bitc.org.uk/all-resources/toolkits/progression-toolkit-bridging-value-gap)

[resources/toolkits/progression-toolkit-bridging-value-gap](http://race.bitc.org.uk/all-resources/toolkits/progression-toolkit-bridging-value-gap)

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Public Health England | Royal Mail



Royal Founding Patron: HRH The Prince of Wales
Chairman: Jeremy Darroch
Chief Executive: Amanda Mackenzie OBE

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