

2020 Ethnicity Pay Gap Report



Penguin
Random House
UK

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Introduction



As one of a number of goals set out in our [accelerated inclusivity action plan](#), published in July, we are pleased to be sharing our first ethnicity pay gap report. While we're not legally obliged to report this data, we're choosing to do so because we believe it is an important step in our efforts to become a truly diverse and inclusive employer.

The ethnicity pay gap is the percentage difference in hourly pay and bonus pay between all Black, Asian and minority ethnic colleagues working in our organisation when compared with White colleagues, calculated in terms of the mean and median. The data used to calculate these numbers comprises just 57% of our employees who have voluntarily disclosed their ethnicity to us. It doesn't offer us a complete picture, therefore, but we believe it's a good starting point – combined with other internal analysis we've done – to develop a better understanding of the profile of our workforce. We hope that in time that more colleagues will disclose their data to make this report even more accurate.

Our analysis shows that our mean ethnicity hourly pay gap is 16% and our median is 3.7%, while our mean bonus pay gap is 66.1%, while the median is 11%. The main factor driving both our hourly and bonus gaps is the lack of ethnic diversity among colleagues in our most senior managerial and leadership positions. We know this needs to change, and we talk later in the report about how we are working with an external expert to define and implement a specific action plan for achieving greater representation at these levels.

Our plan is to measure and track this data annually to measure the progression, retention and pay equity by demographic groups across our

organisation. Of course, our ultimate ambition is for both our ethnicity hourly and bonus pay gaps to be at zero. The journey to getting to that point will take time, and might not have a direct trajectory. That's because while we can make the single biggest difference by increasing representation at a senior level, our wider inclusivity ambitions mean we will also continue to focus on improving representation across our organisation. In the short-term, for example, we could perpetuate or even increase the gap through entry-level recruitment efforts which create a more unequal balance of Black, Asian and minority ethnic colleagues in the lower vs. upper levels of the company. In the longer term, we hope that a combination of inclusive senior recruitment and better support for internal progression will enable us to close the gap in a sustainable manner.

For us, publishing this report is not merely an end in itself, but an important tool to inform our future actions. By making this data transparent we want to shine a spotlight on those areas in which more substantial intervention will help us to achieve our goal of representation in all teams and all levels, to ensure our pay decisions promote equity and to measure progress. It's for this reason that we also provide a breakdown of the pay gaps for the different groups which make up our Black, Asian and minority colleagues.

We know these colleagues have different levels of representation across our company, and that they face different career challenges. It's crucial that we don't lose sight of these differences by homogenising their experience, and instead that we use this data to make positive and meaningful changes to our internal practices and culture.



Val Garside
Director of Human Resources

I confirm that Penguin Random House UK's ethnicity pay gap calculations are accurate.

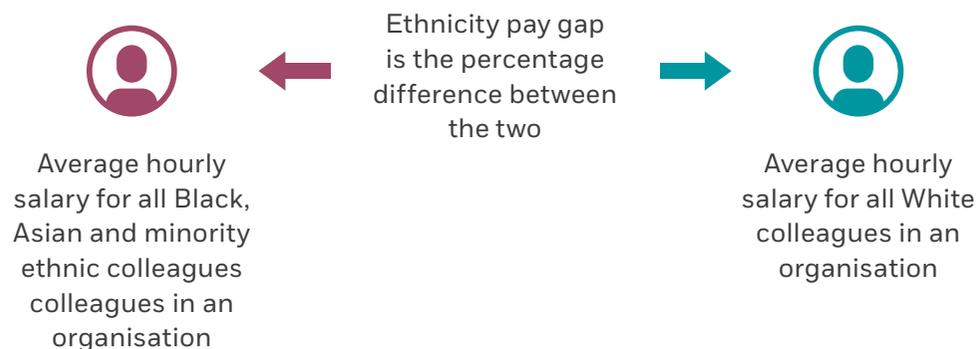
About Penguin Random House UK

Penguin Random House UK is the UK's largest book publisher. We enable talented people from all walks of life to tell their stories – and we make sure they are heard. We are proud of our strong heritage of bringing the greatest voices from around the world to the fore through our books, from Margaret Atwood to Bernardine Evaristo, George Orwell to Stephen Fry, and Benjamin Zephaniah to Michelle Obama.

We make books for everyone, because a book can change anyone. Creativity requires a diversity of thought, which means that being a more inclusive employer is fundamental to being a better publisher. That's why we have a commitment for our new hires and the authors we acquire to reflect UK society by 2023. You can find more information on our inclusivity strategy [here](#).

The ethnicity pay gap explained

The ethnicity pay gap is the percentage difference in hourly pay and bonus pay of all Black, Asian and minority ethnic and White colleagues within our organisation, calculated in terms of the mean and median.



A note on the terminologies used

In order to calculate an overall ethnicity pay gap, we have grouped together colleagues who are Black, Asian and minority ethnic and compared their hourly pay and bonuses with colleagues who are White.

However, we know that categorising colleagues in this way poses a number of challenges: for example, it inaccurately suggests that colleagues have the same experiences or level of representation. Therefore, on pages 11 and 14 we have provided a further breakdown of the ethnicity pay gap for colleagues who identify as Asian or Asian British, Black or Black British, Mixed ethnicity, and for colleagues who identify as a different ethnicity to those detailed above.

Which data is used?

As there is currently no official guidance in place regarding the calculation of ethnicity pay gaps, we have used the same methodology set out by the Government Equalities Office for gender pay gap reporting.

However, unlike our gender pay gap reporting, which covers the majority of employees, this data is based on 56.9% of our employees who voluntarily disclosed their ethnicity. While this is a meaningful proportion of our employees, we recognise that this limits the accuracy of the report. The remaining 43.1% of our workforce chose not to share their ethnicity data or did not give their consent and therefore are excluded from our calculations.

It is our hope that even more of our employees will chose to disclose their data in future. If we can achieve close to 100% voluntary disclosure this will increase the accuracy of the report. We also hope that an increase in voluntary disclosure will enable us to assess more accurately the ethnicity pay gap of each of the individual groups for which we provide a further breakdown.

At the same time, it's also worth noting that increased participation in future years may mean that year-on-year comparisons are difficult to make.

The ethnicity pay gap is based on an hourly pay rate for each relevant employee, reflecting base salary and certain allowances. The bonus pay gap is based on total variable pay over the previous 12 months, representing cash bonus paid plus any proceeds on exercise of share plans or long term investment plan awards.

Disclosures on pay included in this report are based on amounts paid via payroll in April 2020 (i.e. for the period 1 April 2020 to 30 April 2020), whilst bonus data refers to the pay period from 6 April 2019 to 5 April 2020.

The ethnicity pay gap is calculated in terms of the **mean** and the **median**.

Mean

The overall average of all relevant salaries in a group.



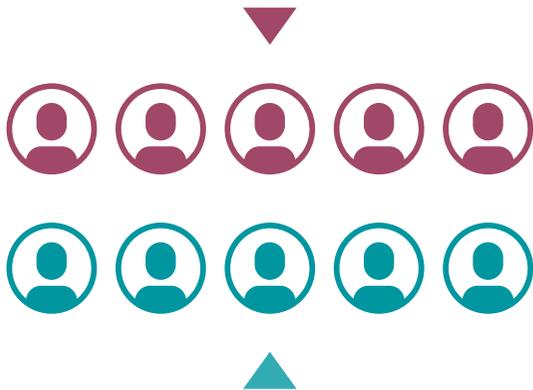
Average salary of this group



Average salary of this group

Median

The middle value of an ordered set of values, from low to high.
The median is unaffected by particularly high or low values at either end.



Equal pay

The ethnicity pay gap is not the same as equal pay.

Penguin Random House UK ensures all colleagues doing the same job at the same level are paid on fair and consistent terms. Companies can still have an ethnicity pay gap without having any unequal pay issues.

Our ethnicity pay gap data

Hourly Pay

The median and mean differences between the average hourly earnings for colleagues identifying as Black, Asian or minority ethnic or White at Penguin Random House UK in 2020 were as follows.

Median hourly pay gap

3.7%

On average, Black, Asian and minority ethnic colleagues earn **97p for every £1** that White colleagues earn, when comparing median hourly pay.

Mean hourly pay gap

16.0%

On average, Black, Asian and minority ethnic colleagues earn **87p for every £1** that White colleagues earn, when comparing mean hourly pay.

We explain the reasons for this pay gap later in this report.

Ethnicity in our company

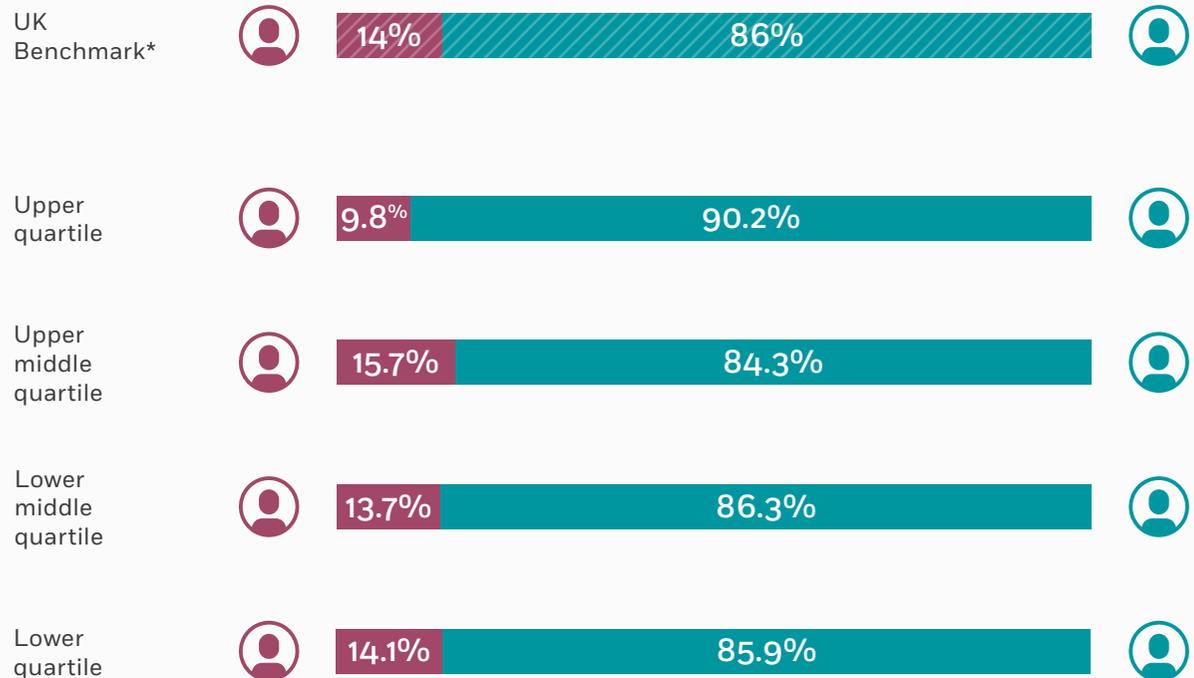
At Penguin Random House UK, of the total number of colleagues who have shared their ethnicity, **13.3% of colleagues are Black or Asian or minority ethnic** and **86.7% are White**.

This compares to the UK population, based on the 2011 census, where 14% of people are Black, Asian or minority ethnic, and 86% are White.

We anticipate that the 2021 UK census will show that the proportion of Black, Asian and minority ethnic people in the UK are higher than the numbers in the 2011 census. We know we have work to do to increase representation in all pay quartiles and in particular within the upper pay quartile. We outline our plans to achieve representation in all teams at all levels later in this report.

Proportion of Black, Asian and minority ethnic colleagues and White colleagues in each pay quartile

The pay quartile analysis shows the total number of colleagues who have shared their ethnicity divided into four equal quarters, based on hourly pay and the proportion of Black, Asian and minority ethnic colleagues and White colleagues in each quartile.



Black, Asian and minority ethnic colleagues



White Colleagues

*2011 census

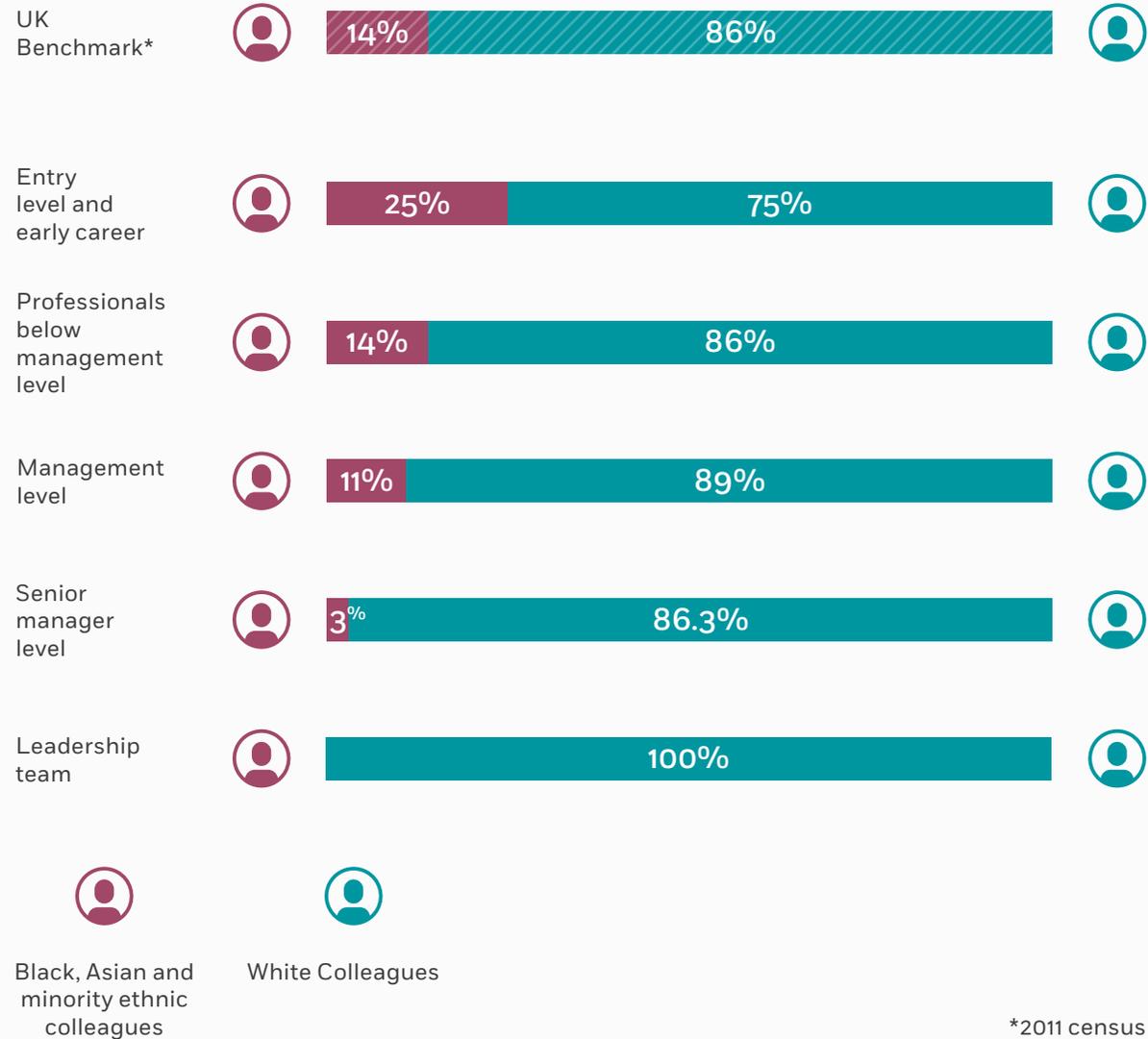
Why does our ethnicity pay gap exist?

The reason we have an ethnicity pay gap in our company is because Black, Asian and minority ethnic colleagues are under-represented in our more senior roles. This means that both the overall hourly mean and median salaries of White colleagues are higher than the overall hourly mean and median salaries of Black, Asian and minority ethnic colleagues.

This is shown in the pay quartile analysis on page 9. There you can see that the proportion of colleagues in the lower three quartiles broadly reflects the ethnic diversity of UK society, however in the upper pay quartile only 9.8% of colleagues identify as Black, Asian or minority ethnic.

Looking at job levels within the organisation in more detail, Black, Asian and minority ethnic colleagues make up 25% of our entry-level and early career roles, 14% of our roles that occupy the middle of our organisation (professionals below manager level) and 11% of our management roles. At senior manager level, this reduces to just 3% and in our leadership team it is 0%.

More detailed analysis of ethnicity across different job levels within our organisation



*2011 census

When comparing the pay gap of different ethnicities:

	Median hourly gap	Mean hourly gap
Asian or Asian British	-15.5%	7.6%
Black or Black British	23.6%	30.5%
Colleagues who identify to a different ethnicity to those detailed	20.5%	31.9%
Mixed ethnicity	3%	12.4%

Our data shows that Asian and Asian British colleagues tend to hold positions in the middle and more senior levels of our organisation, with fewer in lower paid roles. This results in a median pay gap of -15.5% in favour of Asian and Asian British colleagues, with the mean pay gap being 7.6% in favour of White colleagues.

The median and mean pay gaps for our Black and Black British colleagues are larger, resulting from considerably fewer of these colleagues holding senior positions. Instead, the majority hold entry level, early career or mid-level roles. We know we need to do more to improve representation at a senior level, particularly among Black colleagues, which is a key priority of our inclusivity action plan.

Colleagues who identify as a different ethnicity than the groups detailed above mainly occupy lower paid roles and therefore have lower salaries, resulting in a mean pay gap of 31.9% and a median gap of 20.5% when compared to White colleagues.

Colleagues who identify as Mixed ethnicity hold roles that are spread across all levels of the organisation, although there are fewer in the most senior roles. As a result, the median pay gap here is 3%, while the mean pay gap remains at 12.4%.

Please note that we are unable to share the proportion of colleagues in each pay quartile for each of these groups. This is to preserve anonymity because there are small numbers of individuals in some pay quartiles.

Examining this lack of representation in more detail

We know that the single biggest factor for our ethnicity pay gap is the under-representation of Black, Asian and minority ethnic colleagues in our senior roles. To understand and address this we need to focus on recruitment, career progression and retention. We analyse each of these areas in more depth below, and include more information on some of the ways in which we are trying to address them later on in the report.

Recruitment

We believe that work resulting from our 2016 inclusivity commitment to ensure our new hires are reflective of UK society by 2025 has positively changed the demographic make-up of our new joiners. As a result, our new hires now closely track, and in some cases exceed, the ethnic diversity of the UK. However, due to the shape of our organisation a large proportion of roles which are filled with external candidates are entry level roles. In the period covered by this report, 184 of the 354 roles filled externally were at entry level.

Progression

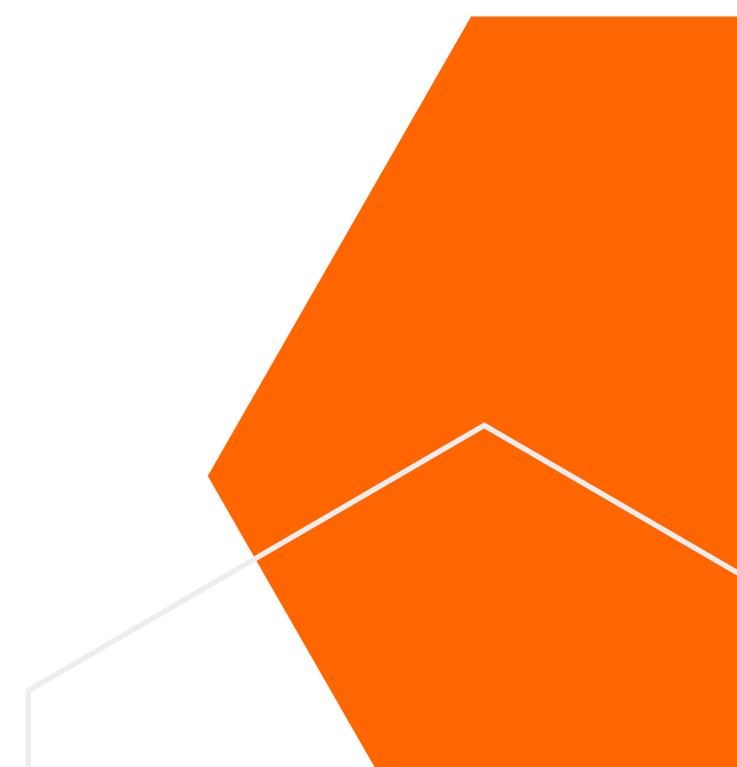
Our analysis shows the overall rate of progression within the company is similar for colleagues who are Black, Asian and minority ethnic as those who are White. During the reporting period, 14.7% of Black, Asian or minority ethnic colleagues were promoted compared to 15.8% White colleagues.

The changes we've made this year to the way we collect data will enable us to understand better the progression rates for different demographic groups at different levels of our organisation. Over time this data will enable us to identify specific strategies and action we can take, in relation to hiring, retention and progression, to accelerate achieving representation in all teams and at all levels, and ultimately to close the ethnicity pay gap.

Retention

We know that hugely important to retention is building a culture where colleagues from all backgrounds feel they belong and are set up to do the best work of their lives. Data from our 2020 Inclusivity Survey shows that those colleagues who feel a lower sense of belonging includes Black, Asian and minority ethnic colleagues (especially at entry level).

As with progression, above, the improvements we've made to collecting data will enable us to measure retention for different groups of colleagues and with this insight identify direct action to improve this where it's needed.



Bonus pay

The median and mean differences between the average bonus earnings for Black, Asian and minority ethnic colleagues and White colleagues at Penguin Random House UK in 2020 were as follows.

Median bonus pay gap

11.0%

Black, Asian and minority ethnic colleagues earn **90p for every £1** that White colleagues earn, when comparing median bonus pay.

Mean bonus pay gap

66.1%

Black, Asian and minority ethnic colleagues earn **61p for every £1** that White colleagues earn, when comparing mean bonus pay.

Why does our ethnicity bonus gap exist?

The bonus amount received by an employee is based on a percentage of salary, and both salary and bonus percentage increase with seniority. The bonus gap figures are therefore affected by the same factors which affect our pay gap; specifically, that we have significantly fewer Black, Asian and minority ethnic colleagues in senior manager roles and none in the leadership team.

Proportion of colleagues receiving a bonus payment

Black, Asian and minority ethnic colleagues



White colleagues



In the period covered by the report, all colleagues were eligible to receive a bonus or profit share after completing their probationary period, regardless of their role or ethnicity. Bonus and profit share payments are based only on our company performance, with employees performing similar roles receiving the same bonus percentage.

Accordingly, the difference in the proportion of Black, Asian and minority ethnic colleagues and White colleagues receiving a bonus or profit share was a direct result of the mix of new joiners who had not yet become eligible to join the scheme.

When comparing the bonus pay gap of different ethnicities:

	Median Bonus Gap	Mean Bonus Gap
Asian or Asian British	8.2%	66.6%
Black or Black British	22.7%	75.8%
Colleagues who identify to a different ethnicity to those detailed	33.1%	82.6%
Mixed ethnicity	7.2%	57.6%

The factors driving these bonus gaps correlate with those behind the hourly pay gaps:

For our Asian and Asian British colleagues, the median bonus gap of 8.2% reflects that there are fewer colleagues in our most junior positions. The higher mean bonus gap results from a lack of representation in the most senior roles, including the leadership team, where bonuses are much higher.

For our Black and Black Asian colleagues, the large bonus gaps are due to these colleagues being under-represented across our company and in particularly in our most senior positions.

Colleagues who identify as a different ethnicity to those detailed tend to hold roles in our lower and lower middle pay quartiles, and therefore their bonuses are not as high as those in our more senior roles.

While our colleagues who identify as Mixed ethnicity hold positions across all levels of the organisation, there are fewer in the most senior level where bonus payments are higher.

Addressing our ethnicity pay gap

This year at Penguin Random House UK we've accelerated our inclusivity work; recognising that we need to do more to become a truly inclusive publisher and employer. In July we published our [2020 Inclusivity Action Plan](#), which outlines our ambitions and some specific commitments in this area, including a section focusing on our commitment to race equality.

Our ambition is to reflect the ethnicity of the UK population in all teams and at all levels of our organisation as fast as is possible and, in particular, to address the under-representation of Black, Asian and minority ethnic colleagues in our senior leadership roles. Our focus is on driving meaningful systemic and cultural shifts to address this imbalance - striking the right balance between tackling urgent priorities while also driving sustainable, longer-term change.

Our company inclusivity objectives are:

- To achieve representation in all teams, at all levels
- Create a culture of belonging for everyone
- Publish books for everyone, by everyone

The first two goals relate to our company, workforce and culture. The third focuses on the diversity of our publishing programme and our authors. While the third goal is critical to our overall inclusivity ambitions, for the purposes of this report – which analyses colleague data only – we will focus our attention on work to address goals one and two.

We have also set out some specific goals reflecting the work we need to do to ensure better representation of Black, Asian and minority ethnic colleagues in our company:

- Our new hires will be, at a minimum, reflective of the different ethnicities of UK society by 2023, as measured by the 2021 census.
- Our senior leadership teams across our company will be representative of UK society, as based on the 2021 census.

Here we set out what we have done so far in relation to our company inclusivity goals, and our commitments going forwards:

01 To achieve representation in all teams, at all levels

Representation in senior management and our leadership team

Working towards a more representative upper quartile is essential if we are to close our ethnicity pay gap. It is also one of the single most important issues to address if we are to become a truly diverse and equitable company. But we also recognise that there are complex and systemic factors in play here, and it will take time to bring about sustained change.

To help us get this right, and to achieve long-term, meaningful results, we are working with Brook Graham, a specialist diversity and inclusion consulting company, to define and implement a specific action plan for achieving representation in our senior leadership roles. We will share this with colleagues in early 2021.

In addition, we will pilot a new senior editorial positive action traineeship in 2021, open to Black, Asian and minority ethnic people at Commissioning Editor level.

Recruitment:

We have also engaged Brook Graham to conduct an end-to-end review of our recruitment processes and practices across every level of seniority, and to provide recommendations for where and how we can make our hiring practices more inclusive. This work is currently undergoing.

In addition:

- Our Resourcing team is developing tools and guidance for hiring managers to support inclusive hiring processes, which includes how to reduce bias. We're providing additional training in this area, including making a new inclusive hiring workshop mandatory for all recruiting managers, which we piloted with 150 colleagues at the end of last year.
- A specific goal in our inclusivity plan is to include at least one under-represented candidate in all interview shortlists, wherever possible. Supporting this is the work we are doing to improve the ways in which we gather demographic data in our recruitment processes, which will help us better understand the make-up of job applicants from the point of hire to the point of offer.

Outreach and entry level activities:

Our entry-level positive action traineeship, The Scheme, offers a number of paid six-month placements each year in editorial teams across our publishing houses for people from a Black, Asian or minority ethnic community and/or people from a socio-economically disadvantaged background.

- While we were unfortunately unable to run the programme in 2021 due to the impact of the Covid-19 pandemic, in 2018 and 2019 we had 18 trainees complete placements with us. 12 of those have gone onto secure permanent or fixed term contract placements at the end of their traineeship. From those two cohorts, 10 of our Scheme participants are still at the company and three have received further promotions from their originally secured role.
- As part of our ongoing inclusivity work, in 2021 we will extend The Scheme into other under-represented departments in the company. We are currently undertaking work to assess which departments will be involved.

In 2017 we were the first publisher to introduce paid work experience (while banning personal referrals) for all our 450 annual work experience placements. This has had a positive impact on the diversity of our work experience candidates, with the group now reflecting the ethnic diversity of the UK as per the 2011 census. 49 of work experience

candidates have gone on to secure permanent roles in our company, while 46 have had fixed term contracts. Later this year we will be trialling virtual work experience to manage the impact of the pandemic.

This autumn we've also launched a new mentoring programme with Creative Access to support the pipeline of talent from under-represented groups in publishing, with 150 of our most senior colleagues to each mentor two people – one internal and one external.

Improved data collection:

In 2020 we invited colleagues to disclose voluntarily their demographic data, and give us permission to store it securely; enabling us to produce our first ethnicity pay gap report. This will enable us to track and better analyse progression, retention, and pay equity by demographic groups. It also enables us to identify where we can use positive action in our recruitment and development activities.

02

Create a culture of belonging for everyone

Driving accountability:

This year every department has developed their own bespoke Inclusivity Action Plan. These plans will ladder up to and support our overall company plan, but importantly will specify the unique contribution each part of our company can make to building a culture of belonging.

While the leadership team is ultimately accountable for our progress towards our inclusivity goals, we believe that everyone in our company has a role to play in helping to deliver upon our ambitions. To this end, from the new year every colleague will have an annual personal objective related to inclusivity.

Providing education and training:

We believe a culture of sustained learning is an essential foundation to achieving our inclusivity goals, particularly in ensuring we offer a safe and welcoming space for all minority and under-represented groups. We are committed to provide the tools and training to support this, and so far have done the following:

- In September 2020 we began the roll out of mandatory inclusivity training for every colleague including anti-racism, inclusive

language and allyship. Each member of our Leadership Team has also attended in-depth inclusivity training.

- We will shortly be sharing new company guidelines on inclusive language and terminology.
- In addition, in July we made available to all our colleagues for free a number of books on anti-racism and allyship. Over the summer Penguin Voices, our exclusive speaker series for colleagues, also featured talks on topics such as diversity in publishing (with Dr Anamik Saha) and how to normalise uncomfortable conversations on racism (with author Claudia Rankine).

Colleague networks:

In 2018 a group of pioneering colleagues chose to establish and lead Colour[Full] – an employee network for Black colleagues and colleagues of colour. Many colleagues across the company have appreciated the chance to join and meet with colleagues in a safe and supportive environment. Since then, the Colour[Full] team has inspired a number of other networks and helped us to shape our company approach to networks – Belong@Penguin more broadly. We recently announced that our Network chairs will receive a financial reward, recognising the important work they are doing in creating a culture of belonging in our company.



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