

Getting ready for ethnicity and disability pay gap reporting



Background

In March 2026, the Government announced that companies employing 250 or more people would be required to start reporting on their ethnicity and disability pay gaps.

This followed a consultation on mandatory ethnicity and disability pay gap reporting in which respondents who already voluntarily report on those gaps confirmed their businesses benefitted from doing so. Whilst there remains uncertainty as to when mandatory reporting will be introduced, taking steps now to prepare for mandatory reporting, and perhaps voluntarily in the meantime, is something that the boards of all larger employers should be considering now.

What form will ethnicity and disability pay gap reporting take?

Sensibly the Government has confirmed that the new ethnicity and disability pay gap reporting will adopt the same approach already followed for gender pay gap reporting, with disability and ethnicity pay gap reporting based on six familiar metrics:

- ✱ difference in mean hourly pay
- ✱ difference in median hourly pay
- ✱ difference in mean bonus
- ✱ difference in median bonus

- ✿ the proportion of employees in each pay quartile
- ✿ the proportion of employees who receive a bonus.

Additionally employers will need to report the proportion of their workforce by ethnicity and disability as well as the declaration rates of ethnicity and disability status.

As for gender pay gap reporting, calculations will be based data as at a snapshot date (5 April for private sector employers) and it is expected that employers that are in scope will also be required to publish an action plan on how they proposed to address any ethnicity and disability pay gaps they discover.

In order to preserve anonymity, minimum thresholds will apply so that no pay gap reporting will be required where the number of employees across the workforce who identify themselves as disabled or of a particular ethnicity is small. That threshold has not yet been announced although ten employees has been suggested as an appropriate level.

Classifications of ethnicity and disability

In order to ensure data is comparable and meaningful, the necessary data will need to be collated on a consistent basis across different employers.

A disability is defined as any physical or a mental condition that has a substantial and long-term impact on a person's ability to carry out normal day to day activities. Disability reporting will be binary, with employees grouped for the purpose of the reporting calculations as either disabled or non-disabled.

Ethnicity data will be captured based on the Government Statistical Service standard classifications and then aggregated for reporting across five wider ethnic groups:

- ✿ white
- ✿ Asian or Asian British
- ✿ black, black British, Caribbean or African
- ✿ mixed or multiple ethnic groups
- ✿ other ethnic groups.

Where sub-division of the ethnicity data as set out above would reduce the individual ethnic groups to less than the threshold referred to above, binary reporting will still be required as a minimum unless, even on a binary basis, the ethnicity reporting would cover to a group which had less than the threshold number of employees.

In capturing the data on both disability and ethnicity, employers will want to give colleagues the opportunity to choose a 'prefer not to say' option.

What action should be taken now?

As those employers who will need to comply with the new rules will already be reporting on their gender pay gap and will therefore be familiar with many aspects of the calculations and reporting regime, the exercise once the data is available should be fairly straight

forward. However, whilst the implementation date is still not clear, it is not too early to start preparations.

Gathering employee data on ethnicity and disability will be new for both many employers and many employees and a degree of employee concern at sharing this information is to be expected. Communications to explain why the data is being collected, and how it will be used, will be essential. But beyond that, a wider piece of cultural work may also be necessary to reassure colleagues that collation of the data will enable enhancement to equality, diversity and inclusion practices and that they will not suffer any detriment as a result of sharing their own information.

It will be important to ensure colleagues are reassured that their data will be kept confidential and that access will be restricted on a 'need to know' basis. Systems should be designed not only with the ability to capture and process the data, but also to restrict access to it and ensure its security, not least for data protection reasons.

Normalising this data collection with colleagues at an early stage is likely to improve the quality of the data available when the requirements are introduced. Early action is therefore advisable.

What questions could boards be asking now?

Whilst the date for implementation is yet to be announced, that does not mean that disability and ethnicity pay gap reporting is not yet a subject for the board. Directors should be asking, amongst other things:

- ✿ What data do we currently have on ethnicity and disability across our workforce and how robust is that data?
- ✿ Are colleagues concerned about disclosing their disability and ethnicity status and if so how can they be reassured?
- ✿ Will we need to make systems, policy or procedural changes in order to be ready to comply with the new requirements?
- ✿ What story does current employee data tell about the effectiveness of existing equality, diversity and inclusion initiatives?
- ✿ Are we offering fair and equal employment, development and promotion opportunities for disabled and ethnic minority colleagues or is their experience within the organisation holding them back in some way?

If you would like Indigo's support and additional resource to help you and your board with these next steps, please contact please contact our Chief Executive: bernadette.young@indigogovernance.com