

Inequalities in the London labour market

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1 Foreword

This report supports the GLA Workforce Integration Network (WIN) briefing note, *'Bridging the Gap – The Economic Case for Workforce Diversity in London'*.

WIN is a City Hall initiative established by the Mayor in 2018 to tackle labour market inequality and help improve pathways to work for underrepresented groups. WIN works with employers to address the structural barriers that prevent those who are often excluded from London's labour market – including Black Londoners and women of Bangladeshi and Pakistani heritage – from accessing good work.

WIN's approach to tackling inequality is rooted in the Mayor's priorities to boost inclusive economic growth for all Londoners, whatever their background. There is a clear need for research that demonstrates the economic benefits of a diverse workforce in London, to complement the established moral arguments for inclusive workplaces.

The analysis has been carried out by GLA Economics. GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics form a basis for the policy and investment decisions facing the Mayor of London and the GLA group.

This report was researched and drafted by Dr Guillaume Paugam, who tragically passed away at the age of 28 before it could be published.

Gui, who joined GLA Economics in April 2024 after obtaining his PhD in Social Policy from the University of Oxford, was a talented, dedicated and generous colleague. He could always be relied on to bring both good cheer and insightful ideas. And he was proud to be involved in work, such as this report for the Workforce Integration Network, which had the potential for positive social impact.

We dedicate this work to the memory of Guillaume.

2 Introduction

London is ethnically diverse, with more than 40% of working-age Londoners from a Black and racially minoritised background.¹ Its economy and labour market are dynamic, with the number of residents with employee jobs at the end of 2024 high by historical standards.² However, large economic and social inequalities remain, with gaps in employment rates and pay.

On average, the employment rate in London across Black and racially minoritised groups was 67.5% in 2023, compared to 79.3% for people from a White ethnic group. When achieving a degree-level education, Londoners from a minoritised ethnic background were less likely to work in more highly paid managerial or professional occupations than workers from a White background with a comparable level of education.³

These inequalities mean fewer workers participate effectively in the labour market, resulting in lower economic output – an issue potentially compounded by lower productivity if workers are being misallocated.⁴ For Londoners from minoritised ethnic groups, it means missing out on the economic opportunities afforded by employment, as well as the social benefits that being employed brings. Understanding the reasons behind low employment in London is also important, especially in the context of the UK government’s recently announced target of reaching an 80% employment rate across the UK population.⁵

This report provides analysis of the potential economic benefits of full representation of Black and racially minoritised individuals in the labour market. It adapts the methodological approach from *‘Race in the workplace: The McGregor-Smith Review’*. (Department for Business, Energy and Industrial Strategy, 2017)⁶ to focus on London specifically, with recent data. It also updates UK-wide results, to help contextualise London results.

The key findings of this analysis, using 2023 data, are:

- If Londoners from Black and racially minoritised backgrounds had the same employment rate as those from a White background, **about 286,000 more people** from Black and racially minoritised groups would have been in work in 2023. This would have represented a 16% increase to the Black and racially minoritised workforce, and a 6% increase to London’s total workforce.
- At the median London salary, this would have represented an **aggregate increase in salaries of £11.1 billion**. This is what the McGregor-Smith Review called the “participation gap”.
- Equalising access to different occupations by people from different ethnic backgrounds but with similar levels of qualification would have meant 200,000 more workers of Black and racially minoritised backgrounds in professional occupations, associate professional occupations, and in manager, director, and senior official occupations.

¹ Analysis of ONS Annual Population Survey 2023. See below for more details on data and method.

² See [GLA Economics’ labour market analyses](#).

³ This report follows the standard ONS definitions of ethnicity. “White” includes White English, Welsh, Scottish, Northern Irish or British; Irish; Gypsy or Irish Traveller; Roma; and Any other White background.

⁴ There is a large academic literature on the economic cost of talent misallocation due to discrimination or social obstacles. For instance, see Calvacanti and Tavares (2016). [“The Output Cost of Gender Discrimination: A Model-based Macroeconomics Estimate”](#); Hsieh et al. (2019) [“The Allocation of Talent and U.S. Economic Growth”](#); or Gradstein (2019). [“Misallocation of talent and human capital: Political economy analysis”](#).

⁵ See <http://www.gov.uk/government/news/biggest-employment-reforms-in-a-generation-unveiled-to-get-britain-working-again>

⁶ [Race in the workplace: The McGregor-Smith Review](#)

- This would have been associated with an increase of **£6.3 billion in aggregate salaries in London**. This is what the McGregor-Smith Review called the “progression gap”.

Taken together, bridging the “participation gap” (£11.1 billion) and the “progression gap” (£6.3 billion) **would have amounted to £17.4 billion in 2023**. To give a sense of scale, the aggregate annual pay of all employee jobs held by London residents in 2023 was just over £224 billion⁷, so the sum of the participation and progression gaps corresponds to about 8% of that total.

Beyond the headline estimates, this report shows how outcomes vary for different ethnicities. It also explores the outcomes arising from gender and disability intersecting with ethnicity.

⁷ Source: GLA Economics calculation from [Earnings and employment from Pay As You Earn Real Time Information](#).

3 Methodology

We adopt and extend the methodology used in the McGregor-Smith Review. Throughout, we follow [the UK government guidance on writing about ethnicity](#).

The idea is to compare the current labour market inequalities (as of 2023, the latest data available at the time of analyses) to a scenario of full representation of ethnic groups. In this scenario, people from Black and racially minoritised backgrounds would have the same employment rate as people from White backgrounds. Further, at a given level of educational achievement, workers from ethnic minorities would have the same occupational employment level as people from a White background.

The first dimension is about “raw” employment participation, the difference in the likelihood of being in employment at all, between people of different ethnic backgrounds, and is referred to as the **“participation gap”**.⁸

The second focuses on employed people only. It refers to the different chances of being in different professional occupations, with different levels of earnings associated with them, between people from different ethnic backgrounds but of the same level of education. It is referred to as the **“progression gap”**.

That way, we estimate **how many more workers** from Black and racially minoritised backgrounds would be in work in a situation of full representation, and **how many more, when working, are able to access positions** typically associated with higher earnings, such as managerial or professional roles (Table 3.1).

Looking at how much workers, in general and in each occupation, earn, allows us to estimate the **“lost aggregate salary”** of people from Black and racially minoritised backgrounds as a rough proxy for the lost economic output in London, and as an indicator of the scale of labour market inequalities in London.

⁸ Note, this should not be confused with what is known as the labour force participation rate, which measures the share of people either in employment or unemployment.

Table 3.1: The participation and progression gaps in London

	<i>Population studied</i>	<i>Key outcome</i>	<i>Key characteristic</i>	<i>What we want to measure</i>
<i>Participation gap</i>	Individuals aged 16-64 in 2023	Whether in employment or not	Ethnicity of individual	Number of additional people from racially minoritised groups who would be in employment, if they had the same employment rate as people from a White ethnic background.
<i>Progression gap</i>	Individuals aged 16-64 in employment in 2023	Type of professional occupation the individual is employed in	Ethnicity of individual Highest level of qualification of the individual	Number of additional employed people from racially minoritised groups who would work in each professional occupation, if they had the same chances of accessing each professional occupation as people from a White ethnic background with a similar level of occupation.

Note that while we broadly follow the McGregor-Smith review methodology, we adapt it in places. The main difference concerns the estimation of the progression gap, for which we study the qualification levels of workers by ethnic group, while the original review studied the qualification levels of the entire population of each ethnic group. We believe our approach yields more precise results, because it estimates exactly the number of workers of each ethnic group in a given occupation, holding education constant, rather than inferring it from the general educational distribution of an ethnic group's population.

As described in the McGregor-Smith review **this methodology has many caveats and limitations:**

- It does not account for: changes that might occur in employment levels or pay of the White population; labour market demand; potential productivity differences; and distinctions between part-time and full-time work.
- Sample sizes are in some cases quite small, so not all figures are robust.
- It does not include second-order effects of increased employment participation, such as changes to benefit spending or tax revenues, health or housing outcomes, or multiplier effects.
- It uses salary as a proxy for economic value – this could underestimate the full social and economic value. It does not capture benefits of diversity in the workplace and in society, and other dimensions of inequality between ethnic groups, such as wealth inequality.

- It does not include the opportunity cost of moving into work – such as unpaid housework and childcare.
- It makes no assumptions about preferences or wellbeing.
- It assumes those moving into work earn the current median salary for employees, so the participation estimate excludes the progression uplift.
- It does not include any increase in the overall median salary that would rise if Black and racially minoritised progression increased.

As such, it is worth reiterating that the figures here should not be taken as the exact changes that would happen to London's economy if full representation of ethnic groups was comprehensively addressed. **They are, however, a useful indication of the scale of the economic benefits that could be achieved and of the scale of existing inequalities.**

In this report, we summarise the key results and implications for London. **Excel workbooks accompany this note where, in addition to the detailed methodology, all the underlying statistics and calculations are contained.**

All the results come from analysis of the ONS Annual Population Survey (APS) for January–December 2023 and the Annual Survey of Hours and Earnings (ASHE) 2023. They should all, therefore, be understood as annual results for the year 2023.

4 The Participation Gap

4.1 Overall results

The employment rate of Londoners from a White background (**79.3%**) in 2023 was higher than the employment rate of Londoners from a Black and racially minoritised background (**67.5%** on average across the different groups). But the size of the **gap varied across different minoritised ethnicities**. The employment rate in London varied from 78.5% for people of Indian ethnicity, to 58.6% for people of Bangladeshi ethnicity (Figure 4.1).

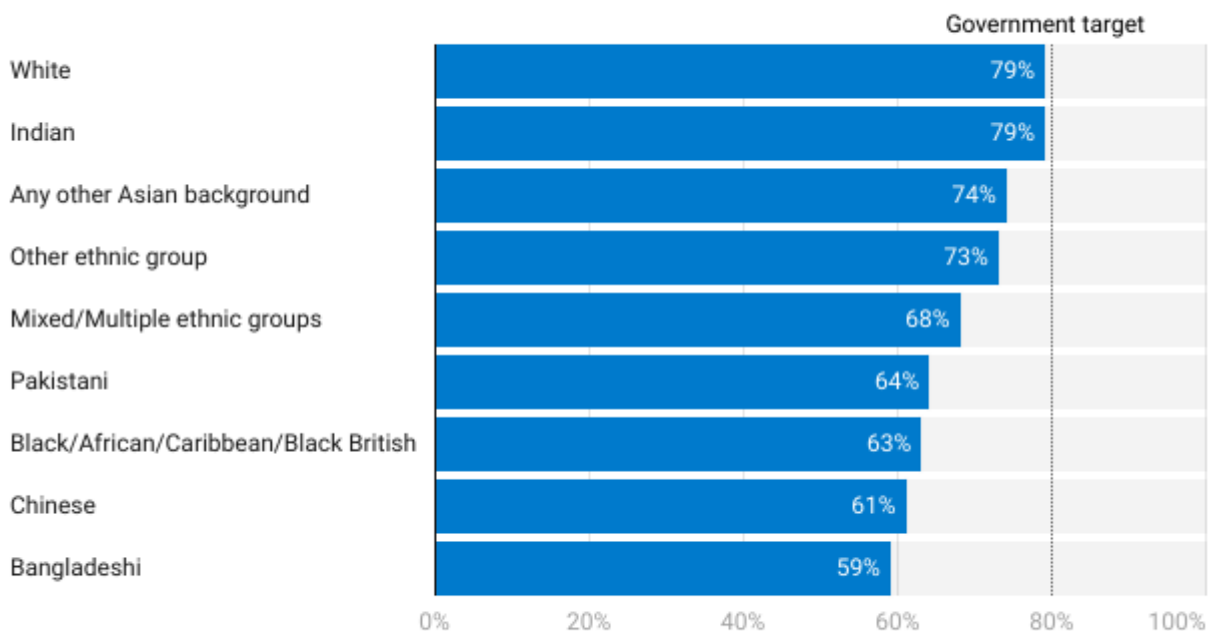
We first estimate the number of people in employment, by ethnic group. We then estimate, for all Black and racially minoritised background groups, how many people would have been in employment if they had the same employment rate as the White ethnic group. **The difference between figures is the “participation gap”** (Figure 4.2).

Summing the employment gains that a situation of full representation in employment rates across ethnic groups would yield, would mean **that around 286,000 extra Londoners from Black and racially minoritised backgrounds** could have been in employment.

Doing the analysis for the UK as a whole, we find that bridging the participation gap would have increased employment amongst ethnic minorities by 541,000. **London accounted for 53% of the UK employment participation gap in 2023**. This is due to the high diversity of London’s population, combined with stronger labour market inequalities between ethnic groups.

Figure 4.1: Employment rates vary markedly by ethnic group

Percentage of people aged 16-64 years in work, by ethnic group, London, 2023



Source: GLA Economics analysis of the ONS Annual Population Survey 2023. Note: 'other ethnic group' includes respondents who identify as 'Arab' • Created with Datawrapper

If these extra workers were paid the median wage in London in 2023, this would have corresponded to an increase of approximately **£11.1 billion in salaries** across the capital, on aggregate. To put the figure into context, the corresponding figure for the whole of the UK would have been £16.1 billion.⁹

As Figure 4.2 illustrates, however, the scope for participation **differed considerably between different ethnic groups.**

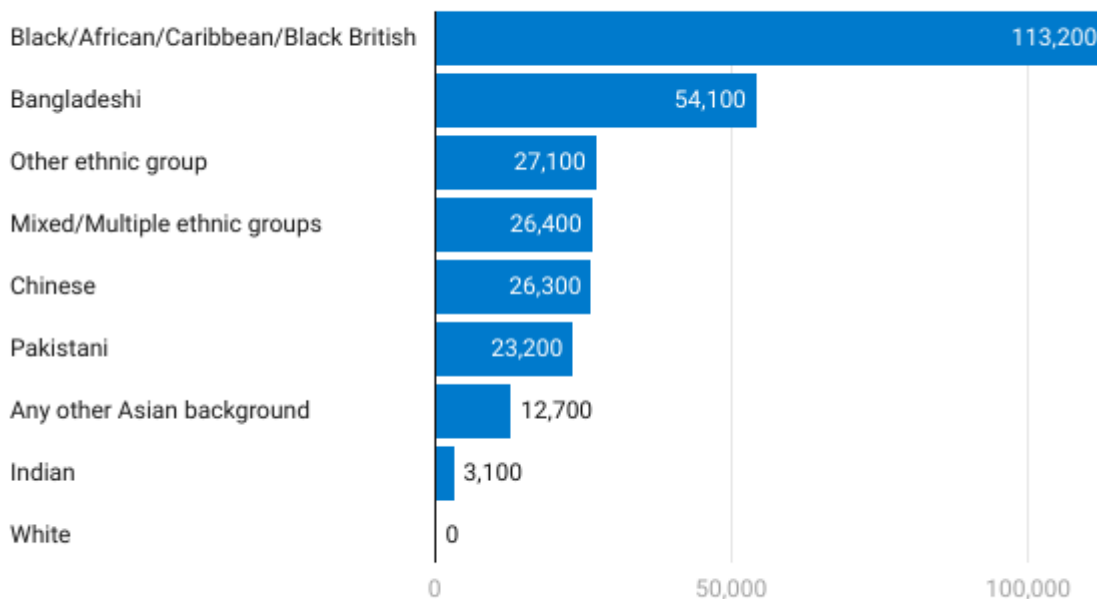
For Londoners from an **Indian ethnic background**, the gains would have been minimal (around 3,000 workers), because their employment rate was only marginally lower than the employment rate of Londoners from a White ethnic background.

At the other end of the spectrum, if Londoners from a Black ethnic group had the same employment rate as Londoners from a White ethnic group, there would have been about **113,000 more Londoners from a Black ethnic background in employment.**

This is due to the combination of the comparatively low employment rate for people from a Black ethnic group (63.1% compared to 79.3% for people from a White ethnic group), and the large size of the Black ethnic group (11.3% of working-age Londoners, or about 1 in 4 Londoners from a racially minoritised background – the biggest racially minoritised ethnic group in London).

Figure 4.2: Equalising employment rates would mean an extra 286,000 people in work

Increase in the number of people aged 16-64 years in work in an 'equal participation' scenario, by ethnic group, London, 2023



Source: GLA Economics analysis of the ONS Annual Population Survey, 2023 • Created with Datawrapper

Table 4.1 breaks down the **overall estimate of the salary participation gap**, by how much each ethnic group accounts for it.

⁹ Note that here, we cannot express the London salary figure as a share of the UK's. This is because the London figure was calculated based on London's median wage, and the UK figure was calculated based on the UK's median wage, which is much lower. Although not directly comparable, it helps us get an idea of scale.

Table 4.1: Salaries would rise by over £11 billion under equal participation

Contribution to the counterfactual aggregate salary increase from participation, 2023

Ethnic group	£ billion	Share (%)
Black	4.4	39.6
Bangladeshi	2.1	18.9
Other	1.1	9.9
Mixed	1.0	9.0
Chinese	1.0	9.0
Pakistani	0.9	8.1
Other Asian	0.5	4.5
Indian	0.1	0.9
Total	11.1	100.0

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023 • Created with Datawrapper

Ethnicity may **intersect with other characteristics** in affecting labour market inequalities. This is what we turn to now, with a focus on gender and disability.

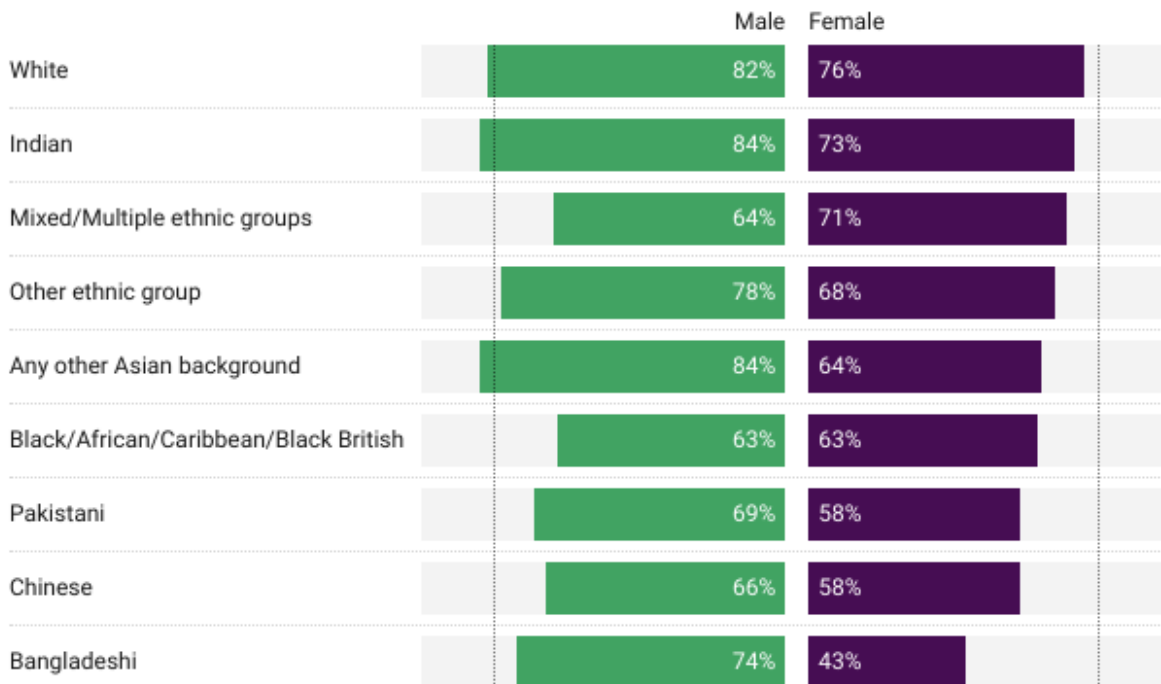
4.2 Intersectional characteristics: gender

The overall employment rate for women in 2023 in London was **70.5%**, which was **8 percentage points lower than that for men**. That implies a gender participation gap of around 250,000 women not in employment.

As Figure 4.3 shows, there were gender gaps in most ethnic groups. The exceptions were the Black ethnic group, with a roughly equal employment rate between men and women, and the Mixed/Multiple ethnic group, with a higher employment rate for women than for men.

Figure 4.3: Female employment rates lag behind for most ethnic groups

Percentage of people aged 16-64 years in work, by gender and ethnic group, London, 2023



Note: vertical lines indicate 80% employment rate

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023 • Created with Datawrapper

In Figure 4.4, we show the participation gap for each combination of gender and ethnicity.¹⁰

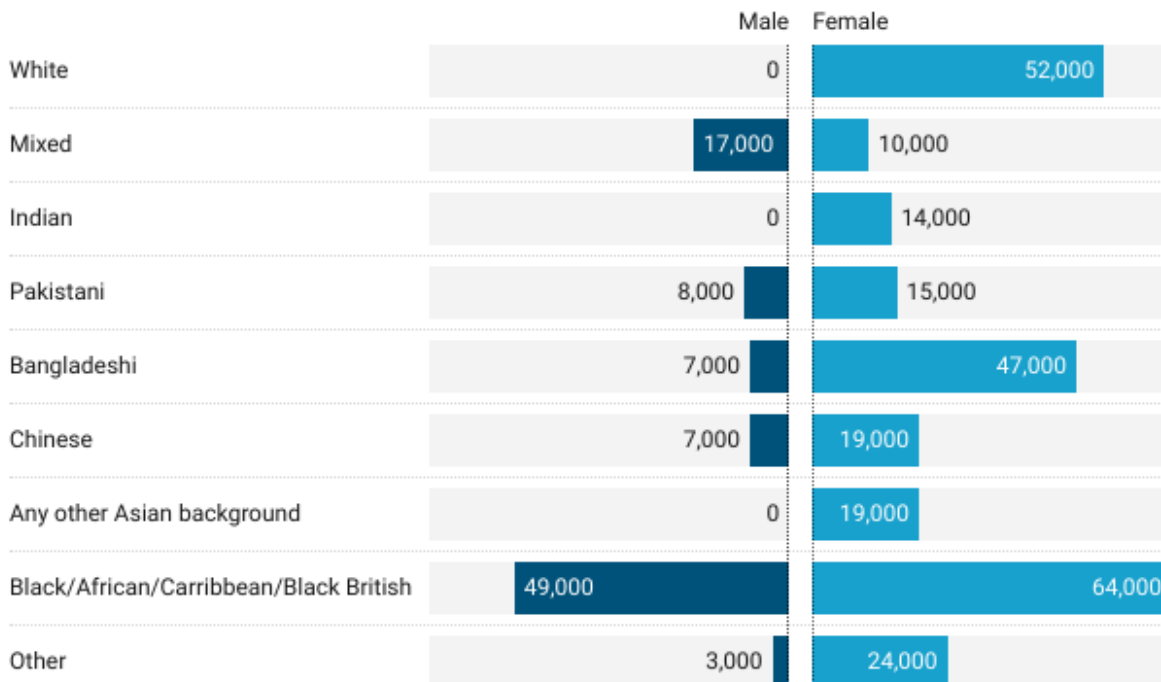
This shows that the under-representation of Black and racially minoritised groups is linked to gender inequality. **Most of the employment gains from equal representation of ethnic groups in employment would have been driven by women from Black and racially minoritised backgrounds.**

This is especially visible amongst ethnic groups for whom the female employment rate was much lower than the male employment rate, particularly the Bangladeshi ethnic group.

¹⁰ Note, in this intersectional analysis the counterfactual is the higher of the average employment rate for White ethnic group overall or the existing employment rate for the gender by ethnicity group. This is not consistent with counterfactual in the general analysis (which sets all employment rates under the counterfactual to be the overall rate) so that numbers will not fall for any group, and therefore will not sum to the same totals as in the main analysis.

Figure 4.4: Equalising employment rates would raise female employment by over 250,000

Changes in employment under equal participation*, by gender and ethnic group, London, 2023



* Visualisation shows results in a counterfactual where employment rates for each group are the higher of the overall rate or the current group rate.

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023 • Created with Datawrapper

The biggest absolute gain across all gender/ethnicity categories would be for women of a Black ethnic background (+64,000). Amongst men, the biggest gain would come from men of a Black ethnic background (+49,000). The mixed ethnic group is the only one in which the employment rate of women was higher than men's, and in which the employment gains brought by equal representation would be primarily driven by men.

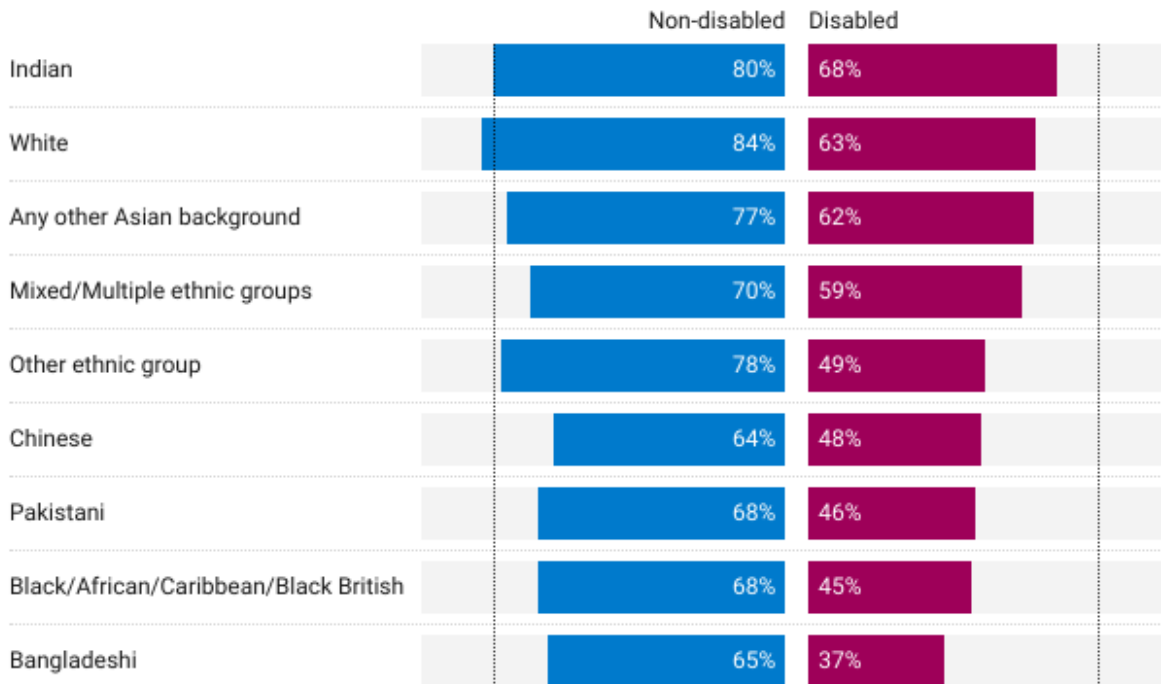
4.3 Intersectional characteristics: disability

In Figure 4.5, we look at the intersection of **ethnicity and disability status**. For this analysis, we categorise people reporting a disability under the Equality Act 2010 and people reporting a long-term health condition limiting the amount and/or kind of work they can do, as having a disability.

Across all ethnic groups, people with disabilities had lower employment rates than people without. The employment rate for non-disabled people from a White ethnic background was just under 84%. It was 80.4% for non-disabled people from an Indian background. But **for five of the nine ethnic groups we study, less than one in two people with a disability was employed**. The lowest employment rate was for people from a Bangladeshi ethnicity with a disability (37.4%).

Figure 4.5: Disability is a key factor in labour market inequality across all ethnic groups

Percentage of people aged 16-64 years in work, by disability status and ethnic group, London, 2023



Note: vertical lines indicate 80% employment rate

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023 • Created with Datawrapper

This inequality based on disability status was also visible in the analysis of the employment changes that would happen if we bridged the participation gap (Figure 4.6). For instance, if people from a White ethnic background had the same employment likelihood regardless of disability status, there would be around 120,000 more disabled White ethnic people in work.

This helps to emphasise that **disability is a key factor contributing to inequalities in labour market access, across all ethnic groups.**

For Black and racially minoritised groups, the picture varies depending on whether the lower employment rate, compared to the White ethnic group average, is strongly linked to disability status or not.

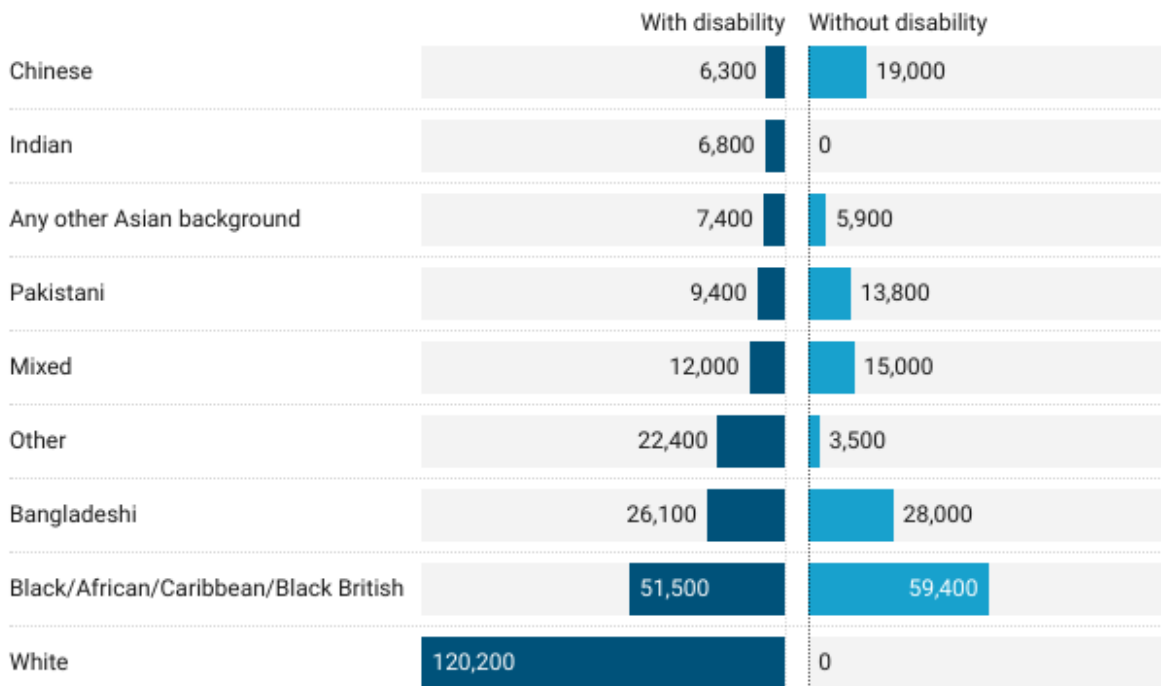
For instance, in the “Other” ethnic group, the employment rate for people without a disability was very close to the 79.3% figure, while the rate for people with a disability was much lower (48.5%). Equal participation would mean around 22,000 more disabled workers from the “Other” ethnic group being in work. The Indian ethnic group was in a comparable situation, with a potential gain of 7,000 more disabled workers under equal participation.

For these groups, addressing the ethnic employment gap is likely to address the disability gap as well.

The picture for other racially minoritised groups tended to be more mixed. Both people with and without disabilities in these groups were underrepresented in London’s labour market and constituted potential employment gains in our counterfactual approach.

Figure 4.6: More than 250,000 more people with disabilities would be in work

Changes in employment under equal participation*, by disability status and ethnic group, London, 2023



* Visualisation shows results in a counterfactual where employment rates for each group are the higher of the overall rate or the current group rate.

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023 • Created with Datawrapper

How much this matters depends on the size of the group. The Black ethnic group was the biggest racially minoritised group in London. But it had much lower employment rates than our benchmark, explaining the **sizable potential gains for both disabled and non-disabled people from a Black ethnic background**. Under equal participation, we would have expected about 60,000 more people from a Black ethnic background and without disability to be employed, and 50,000 more people from a Black ethnic background and with a disability to be employed.¹¹

The analyses so far have emphasised the potential employment gains that equal participation in employment would bring. But labour market inequalities across Black and racially minoritised groups also affect people in work. This is what we now turn to.

¹¹ See note below Figure 4.6 about why this does not exactly add-up to the 113,000-figure reported in Figure 4.2.

5 The Progression Gap

5.1 Overall results

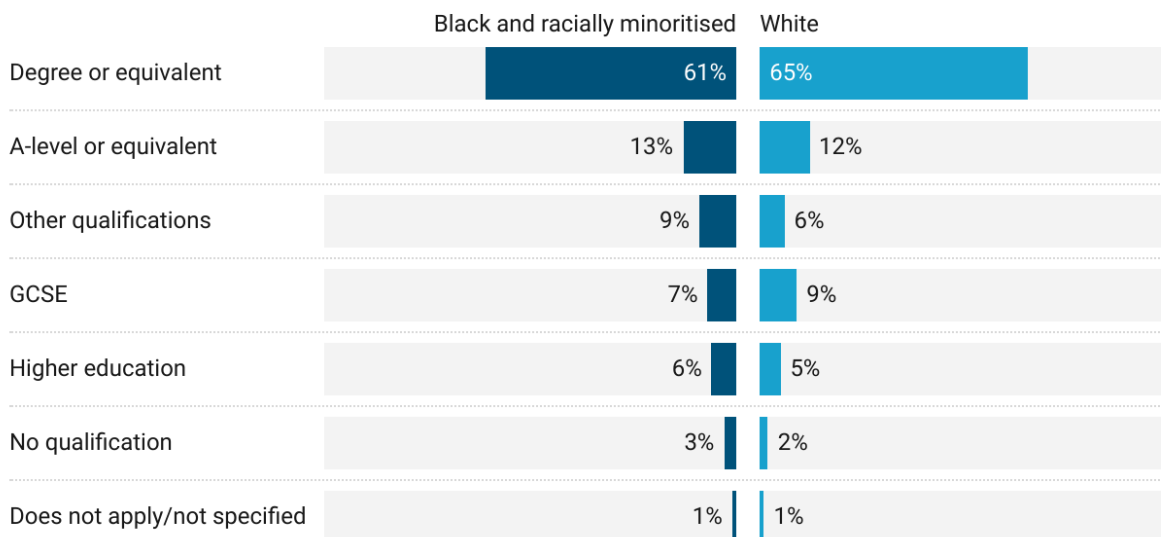
The progression gap¹² – differences in the occupations between groups after accounting for differences in educational achievement – is another source of inequality.

Figure 5.1 shows that there were **only relatively small differences in educational achievements by ethnicity**, while Figure 5.2 shows that there were large earnings differences by occupation.

These two findings mean that, after accounting for qualifications, if people from Black and racially minoritised are not “progressing” into higher-paid occupations at the same rate as White people, there will be gaps in earnings.

Figure 5.1: Overall differences in educational achievement are small

Percentage of people aged 16-64 years in work, by highest qualification and broad ethnic group, London, 2023

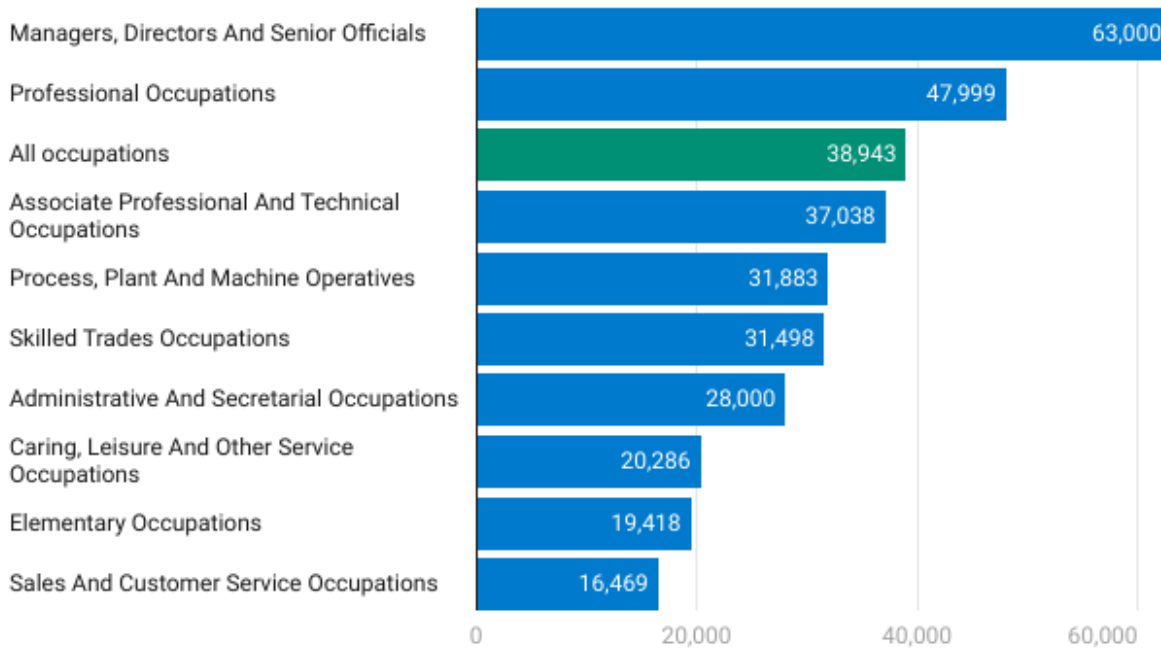


Source: GLA Economics analysis of the ONS Annual Population Survey, 2023 • Created with Datawrapper

¹² In this section we mostly restrict the analysis to difference between White vs racially minoritised because sample sizes are too small to look at a detailed occupational breakdown while also keeping a detailed ethnic breakdown.

Figure 5.2: Differences in pay between occupations drive inequalities

Gross median pay by occupation for all employees in London, 2023



Source: ONS Annual Survey of Hours and Earnings, 2023 provisional. • Created with Datawrapper

Table 5.1 shows how this is the case. For instance, 12.8% of Black and racially minoritised workers with a university degree were in “Manager, Director, and Senior Official” occupations in 2023, compared to 16.6% for workers from a White background with a university degree.

For the **three highest paid occupations**, and at the same level of qualification achieved (degree), **workers from a White ethnic background were more likely to be in that occupation than workers from a racially minoritised background.**

The relationship then starts to reverse – for all other occupations, **apart from skilled trades**, Black and racially minoritised workers with a degree had a higher chance to be in these occupations than their counterparts from a White background.

Table 5.1: Black and racially minoritised workers are less likely to be in high-paying occupations despite similar qualifications

Share of workers in each occupation, by broad qualification level and ethnic group, London, 2023

Occupation	Degree-educated		Educated below degree	
	White	Black and racially minoritised	White	Black and racially minoritised
1. Managers, directors, and senior officials	17%	13%	11%	7%
2. Professional	49%	44%	12%	9%
3. Associate professional and technical	20%	17%	14%	11%
4. Administrative and secretarial	6%	10%	12%	10%
5. Skilled trades	2%	2%	16%	8%
6. Caring, leisure, and other services	2%	5%	10%	16%
7. Sales and customer services	1%	4%	9%	14%
8. Process, plant and machine operatives	1%	2%	5%	8%
9. Elementary	2%	3%	11%	17%

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023. Note: Occupation follows the SOC 2020 classification • Created with Datawrapper

Our analysis shows that this pattern of inequality – **workers from a White background more likely to be in higher-paid occupations, workers from Black and racially minoritised backgrounds more likely to be in lower paid occupations, controlling for education** – holds across the different levels of education we look at, even when disaggregating the educational achievement variable into more levels of qualifications.

To quantify the impact of this, we again follow the McGregor-Smith methodology and estimate, for a given level of educational achievement, and every occupation, the number of workers in that occupation from a Black and racially minoritised group in London. We then estimate what this number of Black and racially minoritised workers would be if they had, holding education constant, the same occupational distribution as workers from a White ethnic background.

For instance, we estimate the number of racially minoritised workers with a degree who are employed in the “Managers, Directors, and Senior Officials” Occupation in 2023. In Table 5.1, we see that in the “real world” in 2023, 12.8% of Black and racially minoritised employed people with a degree were working as “Managers, Directors, and Senior Officials”. This corresponds to about 140,000 people in our estimates. If instead, 16.6% of Black and racially minoritised employed people with a degree were working as “Managers, Directors and Senior Officials”, which was the corresponding proportion for White employed people with a degree in 2023, we estimate that the figure would be around 180,000.

So, among workers from racially minoritised groups in London, there was a shortfall of about 40,000 workers employed as “Managers, Directors, and Senior Officials” compared to if these racially minoritised workers with a degree had the same occupational distribution as workers from a White background with a degree. We carry this comparison exercise for each of the nine professional occupations of the SOC 2020 occupation classification shown in Table 5.1.

We then multiply the workers differential we obtain for each occupation by the median annual salary for that occupation in 2023 to obtain a salary estimate of this participation gap. Figure 5.3 shows the resulting change to the occupational structure of Black and racially minoritised workers in London.

In this scenario, the reallocation of workers across occupations would have increased aggregate salaries for Black and racially minoritised workers in London by **£6.3 billion** in 2023. This is the “**progression gap**”. The sum of the participation and progression gaps in 2023 in London was **£17.4 billion**.

More than half of this progression gap could be explained by inequality at degree level alone.

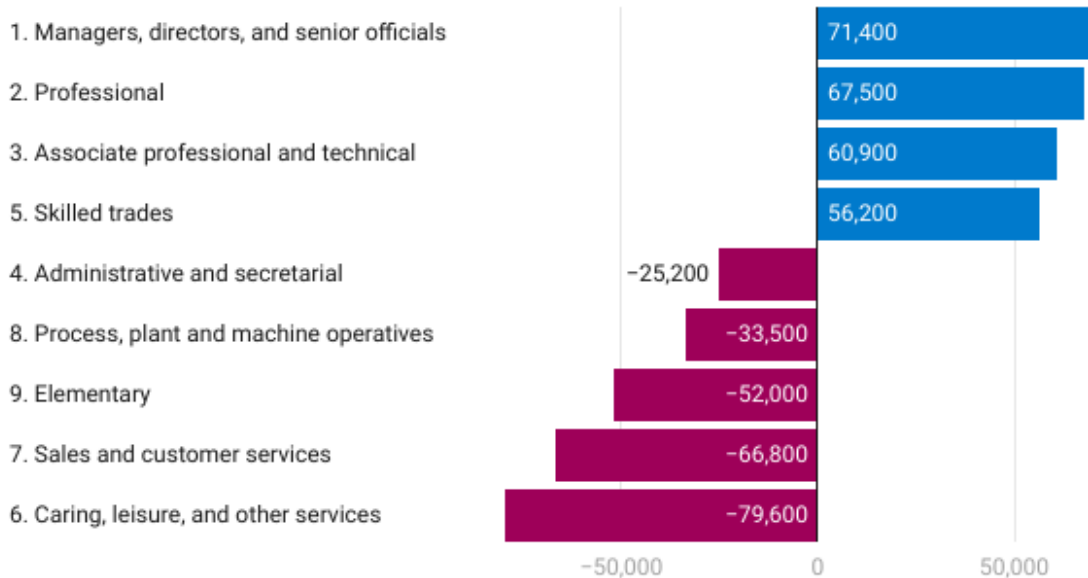
That is, equalising the occupational distribution of Black and racially minoritised workers with a degree and White ethnic workers with a degree, would have increased aggregate salaries for Black and racially minoritised workers by £3.5 billion.

Overall, a driver of the progression gap is the **inequality in access to managerial and professional occupations between White ethnic workers with a degree and Black and racially minoritised workers with a degree**. Of course, our methodology does not account for the degree’s subject area, or the institution attended, with research finding that they are important determinants of ethnic inequality in earning returns to university education.¹³

¹³ [The returns to undergraduate degrees by socio-economic group and ethnicity](#), Institute for Fiscal Studies (2021).

Figure 5.3: Black and racially minoritised workers would fill more high-paid positions if progression was equal

Change in the number of workers from Black and racially minoritised backgrounds in different occupations under an equal progression scenario, London, 2023



Source: GLA Economics analysis of the ONS Annual Population Survey, 2023. Note: Occupation follows the SOC 2020 classification. Positive values indicate that equal progression would result in more Black and racially minoritised workers in these occupations; negative values indicate fewer workers. Created with Datawrapper

But that is not the only source of inequality. As Figure 5.3 shows, workers from a Black and racially minoritised **background were overrepresented in the three lowest paid occupations** (caring, leisure & other services; elementary occupations; sales & customer services). On the other hand, they are under-represented in skilled trades occupations, which pay comparatively much better. **These imbalances particularly affect workers educated below degree level.**

The UK overall also exhibits a “progression gap”. We estimate it to be **£8.1 billion** in 2023. Compared to London, the issue of the allocation of workers at equal level of qualification is wider. Indeed, the UK exhibits a “progression gap” even as workers from a Black and racially minoritised background were clearly much more likely to hold a degree (58%) than workers from a White background (41%).

For the UK, the sum of the participation and progression gaps in 2023 was **£24.2 billion**.

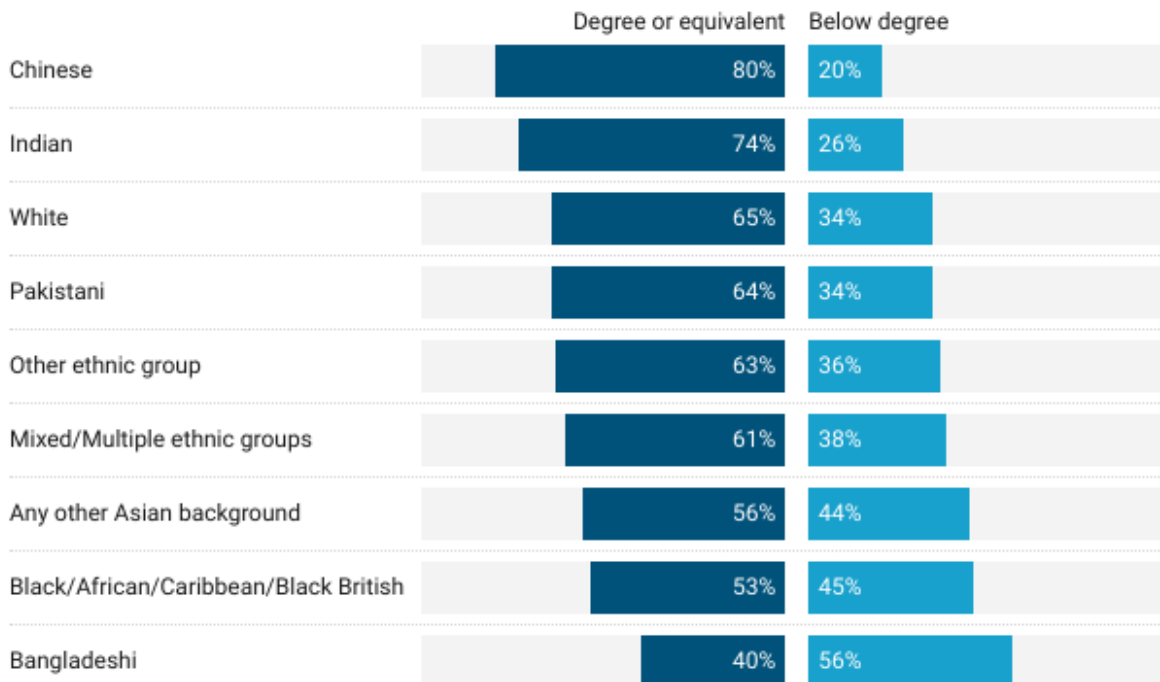
5.2 Breakdowns by ethnic group

The data shows that the proportion of degree-educated workers in London varies by ethnic group, once we look at ethnicity in more detail (Figure 5.4). It varies from 39.6% (Bangladeshi ethnic group) to 79.6% (Chinese ethnic group). Workers from an Indian ethnic group were also more likely to have a degree (73.6%) than workers from a White ethnic group (64.6%).

So, while on aggregate, there are little differences in the rate of university education among workers between Londoners from a Black and racially minoritised background and from a White background, there are some important nuances across Black and racially minoritised groups.

Figure 5.4: The share of degree-educated workers between ethnic groups

Highest level of qualification, 16-64 Londoners by ethnic group, 2023



BEIS analysis excludes those who responded "Don't know". Here, they were not excluded from the dataset but included in the category "Don't know/missing value", which is not shown in the table. These missing values explain why the shares may not exactly add to 100%. Further, small sample sizes for London meant that we could not use the more detailed educational achievement variable that is possible to use for the UK overall analyses. Source: GLAE Economics analysis of Jan-Dec 2023 APS microdata for London.

Source: GLA Economics analysis of the ONS Annual Population Survey, 2023 • Created with Datawrapper

Also note that here, and throughout these progression analyses, we look at the level of education of people in employment. Of course, this might differ from the level of education of the population from a given ethnic group, which itself may be related to the propensity to be employed (the "participation gap") studied in the previous section.

It is unfortunately not possible to publish reliable estimates of the progression gap by ethnic group with a more detailed ethnicity variable, because the sample sizes are too small. Tentative analyses tend to show that the biggest progression potential is represented by workers of Black heritage. It would be consistent with that group being relatively large compared with other racially minoritised groups and being overrepresented in the lower paid occupations.

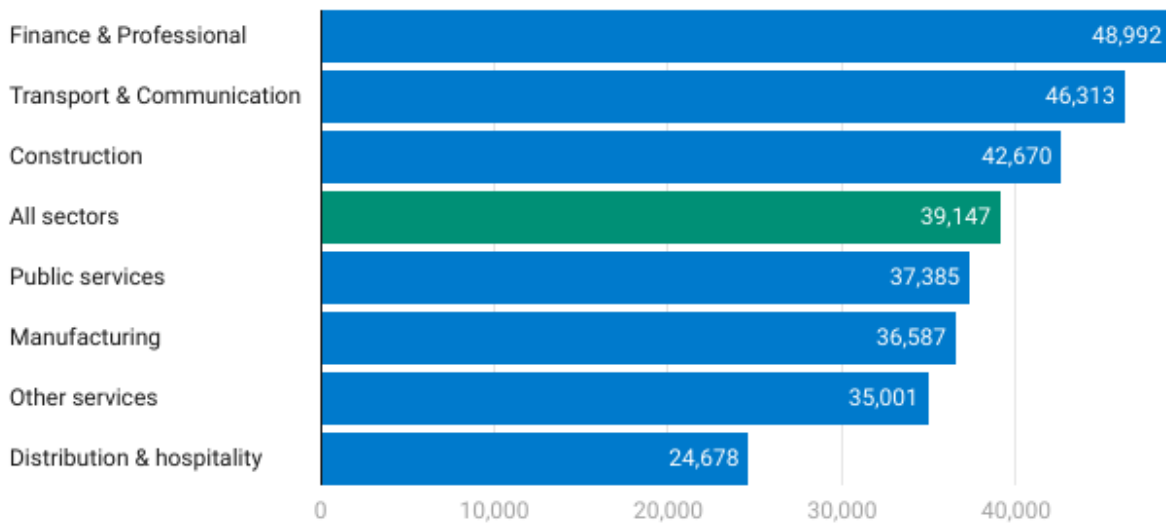
5.3 Economic sectors

Finally, we replicate the occupation-based analyses, looking at **sectors of the economy** instead.

Note that there might be a correlation between sector and occupation, insofar as certain occupations may be more prevalent in certain sectors than others – the analysis cannot distinguish the effect of occupational inequality from the effect of sectoral inequality. We aggregate sectors into broad economic activities into those shown in Figure 5.5, because sample sizes would be too small to be more granular.

Figure 5.5: Differences in salaries across broad economic sectors also drive inequalities

Gross median pay (£s) by industry for all employees in London, 2023



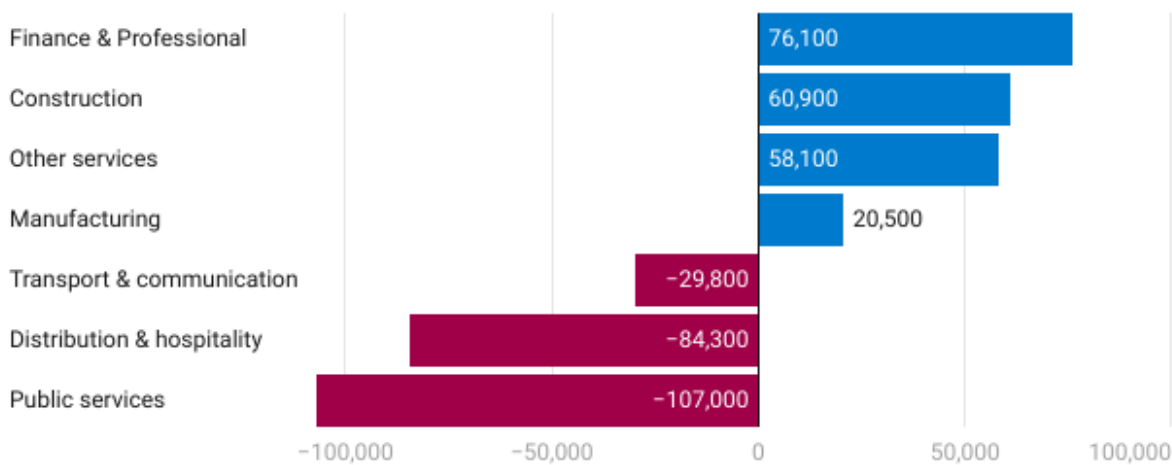
Source: ONS Annual Survey of Hours and Earnings, 2023 provisional. • Created with Datawrapper

With these limitations in mind, we see a similar pattern emerge as for occupation (Figure 5.2). Controlling for educational achievement, **workers from Black and racially minoritised backgrounds were overrepresented in lower paying sectors of the economy, and underrepresented in sectors that pay better.**

The data show that workers with a degree and from a Black and racially minoritised background were **strongly underrepresented in Banking & Finance (which includes other Professional services)**, compared to degree-educated workers from a White ethnic background.

Figure 5.6: Under equal progression, there would be more Black and racially minoritised workers in finance and professional services, and construction

Change in the number of workers from Black and racially minoritised backgrounds in different industry groups under an equal progression scenario, London, 2023



Source: GLA Economics analysis of the ONS Annual Population Survey, 2023. Note: Positive values indicate that equal progression would result in more Black and racially minoritised workers in these industry groups; negative values indicate fewer workers • Created with Datawrapper

Under equal representation, there would have been around 75,000 more workers from racially minoritised backgrounds in Banking & Finance in 2023 in London.

For workers whose highest level of education is below degree, we see a **strong overrepresentation of racially minoritised workers in the distribution and hospitality sector**, the lowest paid in London. On the other hand, the construction sector, comparatively much better paid, had a strong underrepresentation of workers from a Black and racially minoritised background compared to workers from a White ethnic background.

For both degree-educated workers and workers without degree, we see an overrepresentation of Black and racially minoritised groups in the public sector and an underrepresentation in “Other services”.

Overall, reallocating workers following the “equal representation” benchmark would have seen about 105,000 fewer racially minoritised workers in public administration, education & health, about 85,000 fewer in distribution and hospitality, and about 60,000 more in Construction, in London in 2023.

6 Conclusions

Londoners from Black and racially minoritised backgrounds tend to be generally underrepresented in the London labour market compared to Londoners from a White ethnic background. They have a significantly lower average employment rate. But, even when in work and holding comparable educational qualifications, they are underrepresented in the highest earning occupations and overrepresented in the lowest paying occupations.

If employment rates were equal across ethnic groups in London in 2023, there would have been around 286,000 more Londoners from Black and racially minoritised backgrounds in employment. If they were paid the London median salary, that would have increased gross annual earnings in the capital by £11.1 billion. If, controlling for level of education, workers from racially minoritised backgrounds had the same chance of ending up in certain occupations as workers from White backgrounds, there would have been 200,000 more workers of Black and racially minoritised backgrounds in the three highest paid occupations.

Closing the progression gap would have added about £6.3 billion to the London economy in salaries in 2023. A big part of the story is the underrepresentation of degree-educated workers from Black and racially minoritised backgrounds in professional and managerial occupations. But we also see that, amongst workers who did not go to university, there was an overrepresentation of Black and racially minoritised workers in the very lowest paid occupations as opposed to the middle-paid occupations.

The research also highlights variations in terms of how different Black and racially minoritised groups fare in the London labour market. The magnitude and nature of labour market gaps among different ethnicities compared to the White ethnic group vary, suggesting different challenges, and potentially different policy responses to address them most effectively.

Intersectionality is also an important factor: across all but two ethnic groups studied, women had a lower employment rate than men. Equalising labour market representation between ethnic groups would be underpinned by a strong increase in the employment of women from Black and racially minoritised groups. We also see that, for all ethnic groups, people with a disability had lower employment rates than people without. Addressing ethnic inequalities in the labour market also intersects with tackling the disability gap.

There are limitations to the methodology. Our estimates are not a direct representation of the impact on London's economy should full ethnic representation in the labour market be achieved. This report simply highlights the scale of the inequality, and of the lost potential for London and the UK if the long-term organisational and policy changes that could address these issues are not achieved. The government target of 80% in employment is already reached by some groups in London: achieving it more broadly, requires an effective approach to tackling inequality in access to employment.

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