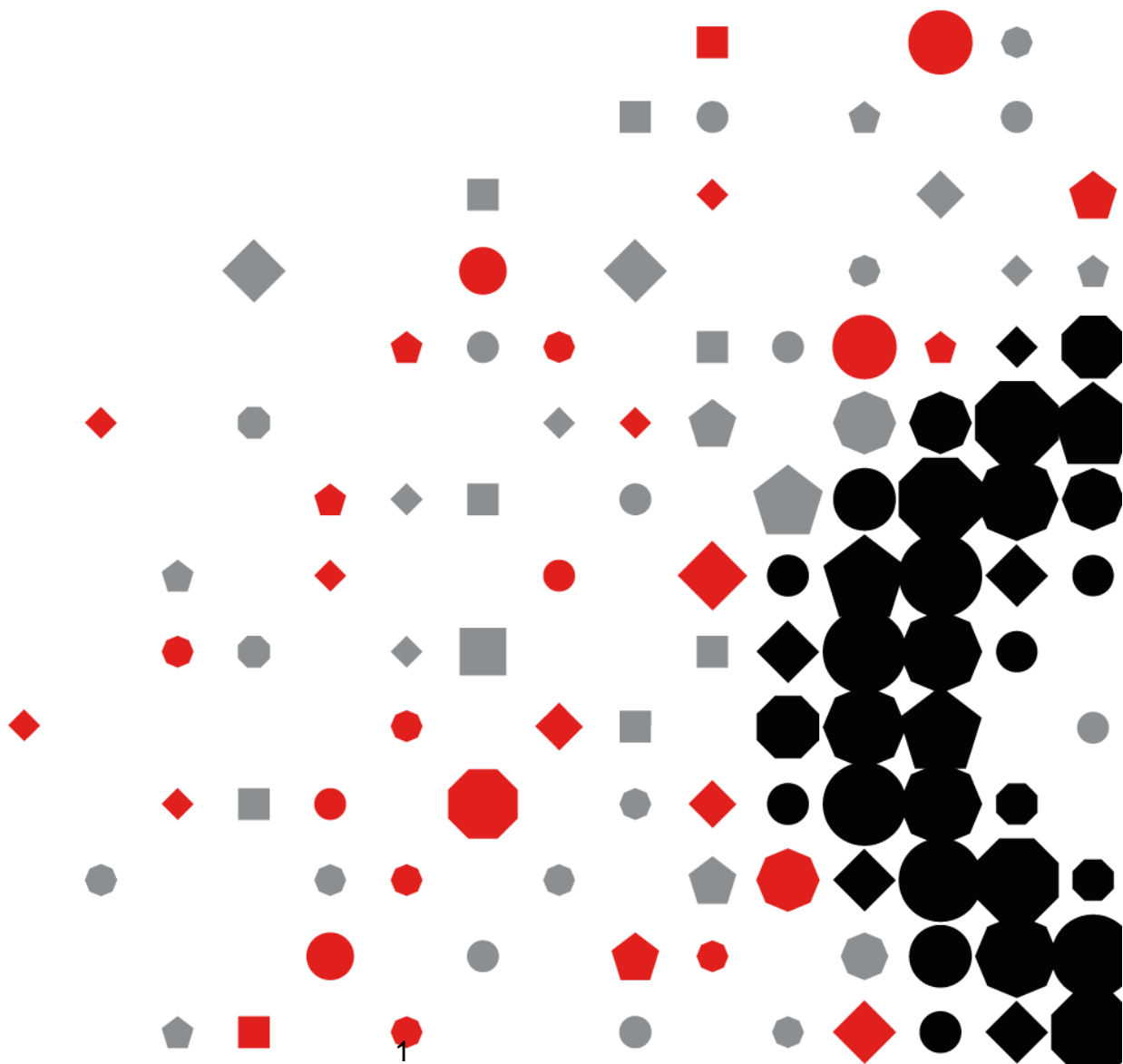


# City & Guilds 2022 ethnicity pay gap report (effective April 2021)

This is City & Guilds' second UK ethnicity pay gap report. Findings are based on data as at 5<sup>th</sup> April 2021. We have seen some positive movement this year but expect to see more impact from the actions we have carried forward from our previous report to close our gaps further in the coming years.



# Introduction

## About City & Guilds

City & Guilds employs 1340 staff around the world, of whom 1124 in the UK. Our core vocational qualifications business was founded in 1878 and we have grown predominantly by acquisition in recent years, diversifying into corporate learning and technical training.

553 (49.2%) of our 1124 UK-based employees have provided their ethnicity data (our currently low disclosure rate does mean we apply some caveats within this report where small sample sizes either prohibit reporting or skew figures significantly). Of these 107 (19.3%) are from UK ethnic minorities (up very slightly from 19.1% in the previous reporting year) and their average length of service is almost 1 year greater than that of our white employees. 2 (7.1%) of our 28 most senior employees by grade for whom we hold ethnicity data are from UK ethnic minorities (an increase from 3.7% in the previous reporting year).

## Our commitment to diversity, equity and inclusion

Our commitment to DEI has always been implicit within our organisational purpose (to 'help people, organisations and economies develop their skills for growth') but we are now building out our DEI strategy to connect more explicitly our internal employee experience and our social impact via more inclusive design of our products and services. Ultimately we will be able to demonstrate our contribution to the United Nations sustainable development goal to 'reduce inequality within and among countries'.

We have continued to invest significantly in diversity, equity and inclusion, working increasingly intersectionally with our Racial Equality community support group and other internal employee networks to refine our DEI strategy and begin delivering against actions arising from our October 2021 report.

## External context

Per the Office for National Statistics the aggregated national median pay gap in 2019 – more recent data has not been published at the time of writing – stood at 2.3%, having fallen from 3.8% since the previous year. This figure is highly nuanced, however, and disaggregation informs us that the national gap for black citizens is between 4% (Caribbean) and 8% (African), whereas for Asian citizens the range is from 16% (Pakistani) to -16% (Indian), i.e. citizens of Pakistani ethnicity earn on average 16% less than white citizens; whereas those of Indian ethnicity earn on average 16% more.

### Internal context

Of the 107 UK ethnic minority employees who have disclosed ethnicity data, 42 (39.3%) identify as of Indian ethnicity, 19 (17.8%) black (Caribbean), 12 (11.2%) black (African), 8 (7.5%) mixed/multiple ethnicities (other), 5 (4.7%) black (other) and 5 (4.7%) Asian (other). No other ethnic group exceeds 5 in number.

Our corporate bonus scheme (essentially an all-staff profit-share) did not pay out in this reporting period. Sales incentive bonuses and long service awards continued to be paid; however, given very small sample sizes of UK ethnic minority employees eligible to receive these specific bonuses within this reporting period, we are not publishing bonus-related data so as not to risk identifying individuals and exposing personal reward arrangements. A corporate bonus was paid to employees in what will be the next reporting year so we will be able to quantify any bonus disparities more meaningfully in our next report.

## Metrics

### Mean and median pay gaps

Our mean pay gap has reduced by some 5.6 percentage points (pp) from 5.2% to -0.4% since 2020 when employees from all UK ethnic minorities are grouped together, meaning that on average employees from UK ethnic minorities now earn slightly more than white employees. However it should be kept in mind that our relatively low ethnicity data disclosure rate is liable to result in fairly significant swings. It should also be reiterated that this aggregated figure masks significant variance between ethnic groups. Our Asian employees earn on average 12.2% more than our white employees (the 'negative' gap widening somewhat from 9.2% in 2020), whereas our black employees earn 12.2% less (reduced significantly from 20.5%) and our employees of mixed/multiple ethnicities 13.5% less (reduced slightly from 14.2%).

Our median pay gap has reduced by 4.0pp from 5.6% to 1.6% since 2020 when employees from all UK ethnic minorities are grouped together. Again this aggregated figure masks significant variance between ethnic groups. Our Asian employees earn on average 15.9% more than our white employees (vs 15.4% in 2020), whereas our black employees earn 11.1% less (vs 20.7% in 2020) and our employees of mixed/multiple ethnicities some 16.9% less (vs 9.7% in 2020).

On the face of it we should be encouraged by the reduced gaps we observe for this reporting year in general, but particularly the narrowing of what was our largest gap last year: our black pay gap. However, our analysis shows us that rather than being due to an increase in black representation at higher-paid levels of our organisation, this narrowing is in fact primarily due to a disproportionately high exit rate in this reporting year of black employees at more junior and lower-paid levels. While sample sizes are very small we will

now be analysing both more quantitatively and more qualitatively why we saw such a high exit rate in this period, whether we should expect to see continuation of this trend and how we can best address it in order to ensure the availability of a greater pipeline of black talent that can progress to more senior levels.

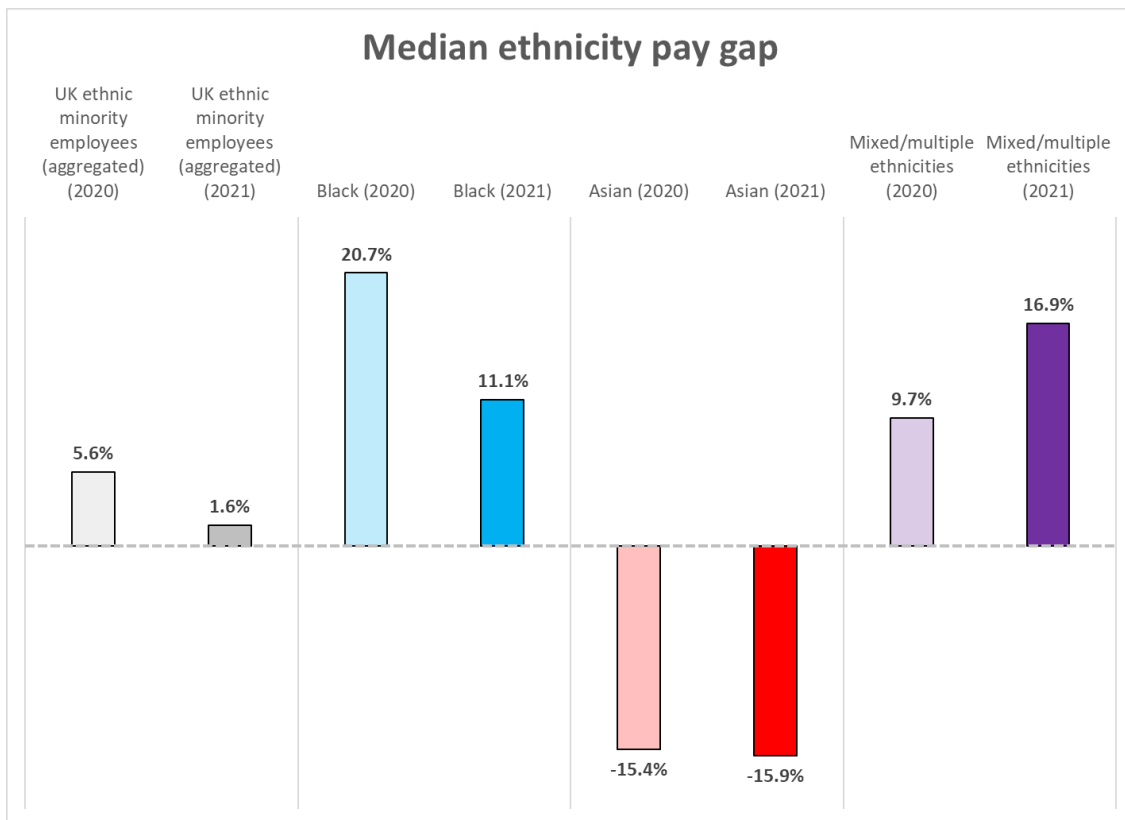
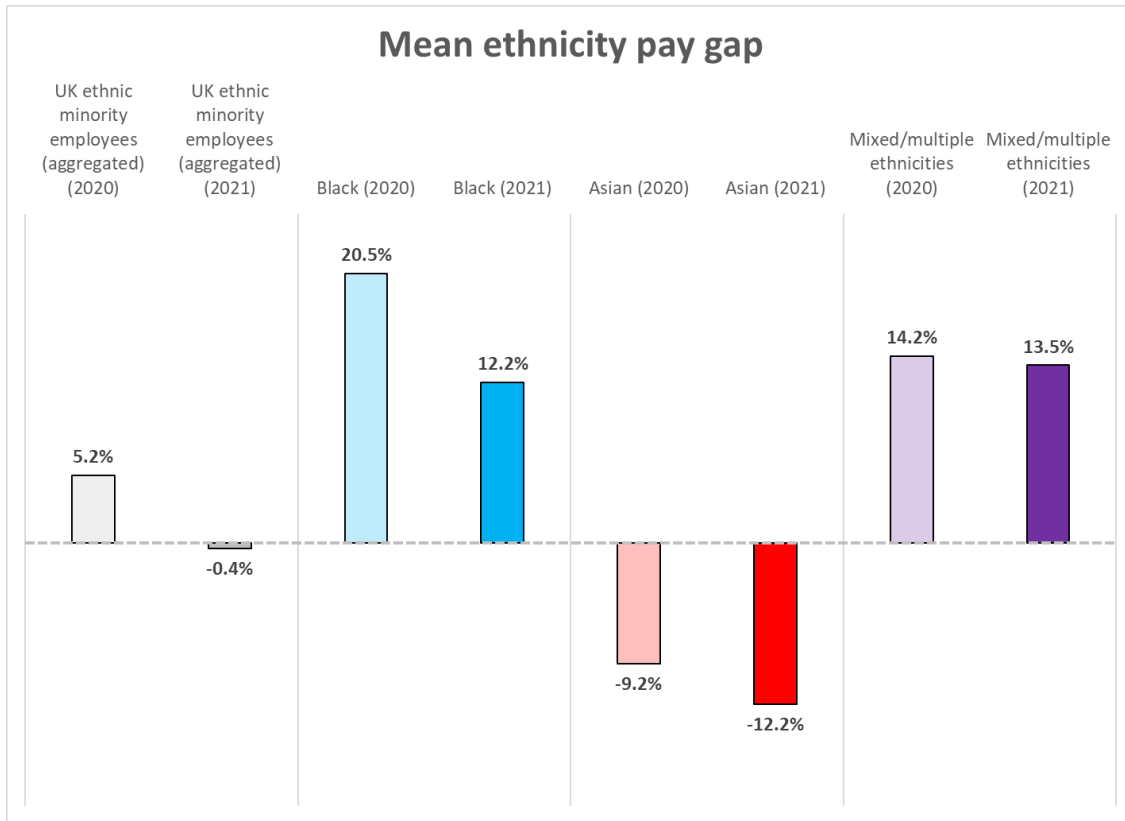
We are also conscious that we could see movements in the other direction in the next reporting year, given our still relatively small sample sizes. We are working to improve our ethnicity data disclosure rate so that we can more fully understand levels of representation and our pay gaps in future years.

One key observation we make this year by reporting intersectionally for the first time is that while on average black women earn very slightly more than white women in our organisation (-0.3% gap), we have a 32.5% gap between the average earnings of black men and white men. This will be a key area of focus over the coming year.

In October 2021's report (containing data effective as at 5<sup>th</sup> April 2020) we analysed the following 12 months' seniority and progression data to identify any specific ongoing contributors to our ethnicity pay gaps. As that data was effective as at this current reporting year's snapshot date it is taken still to be valid for this current report, but we have updated our performance ratings data below as we have transitioned between performance years since April 2021:

- i. Under-representation of UK ethnic minority employees in senior leadership grades (25.2% vs 35.2% of white employees);
  - Black employees least represented (20.6%);
- ii. Under-representation of UK ethnic minority employees in management positions (15.9% vs 30.5% of white employees);
  - No black senior managers (managers of managers);
- iii. Disproportionately low rates of 'Exceeding' performance ratings (25.3% vs 30.7% of white employees in 2021 (gap reduced somewhat since 13.3% vs 29.7% rates in 2020));
- iv. Lower internal progression rates (5.6% benefited from an upward or lateral move or pay increase vs 8.1% of white employees).

Actions to continue to address the contributing factors listed above are outlined later in this report.

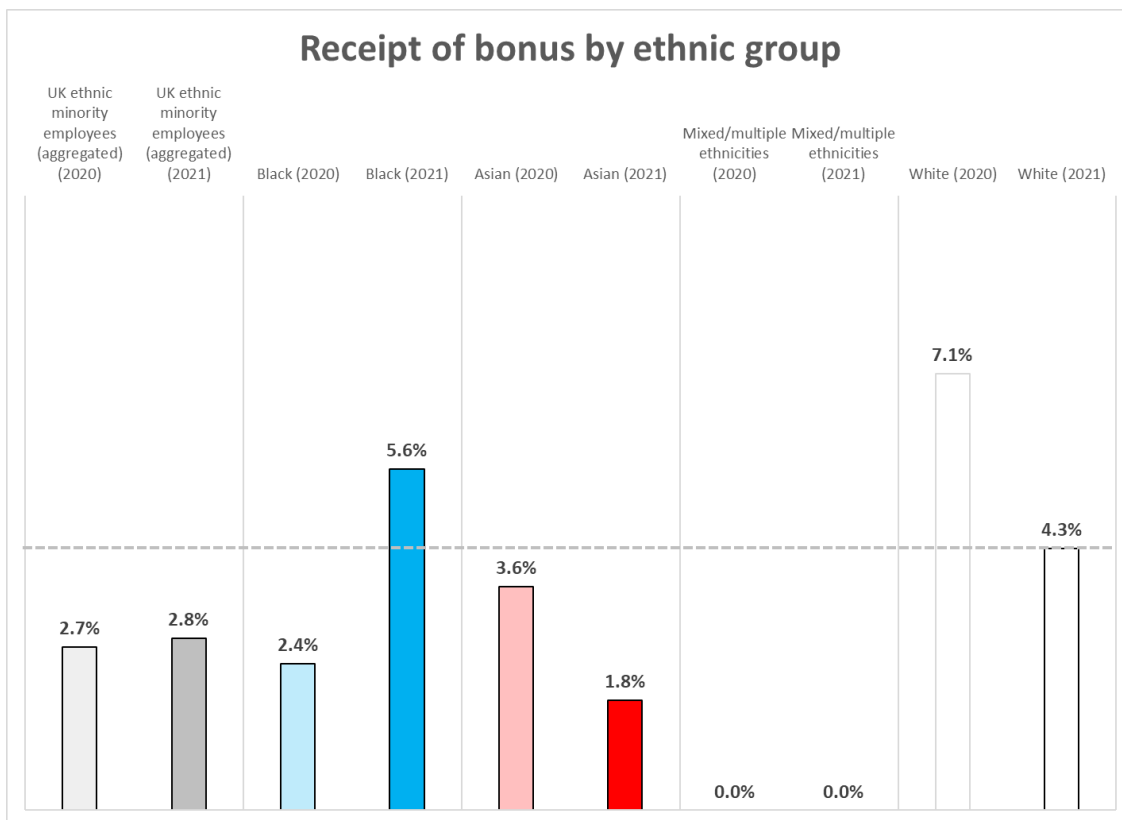


### Mean and median bonus gaps

In a reporting period without our corporate bonus scheme paying out sample sizes are unfortunately too small to provide meaningful analysis of our bonus gaps.

### % UK ethnic minority and white employees receiving bonus

2.8% of UK ethnic minority employees received a bonus, compared to 4.3% of white employees. Sample sizes are too small to disaggregate ethnic minority groupings without risking identifying individuals and exposing personal reward arrangements.

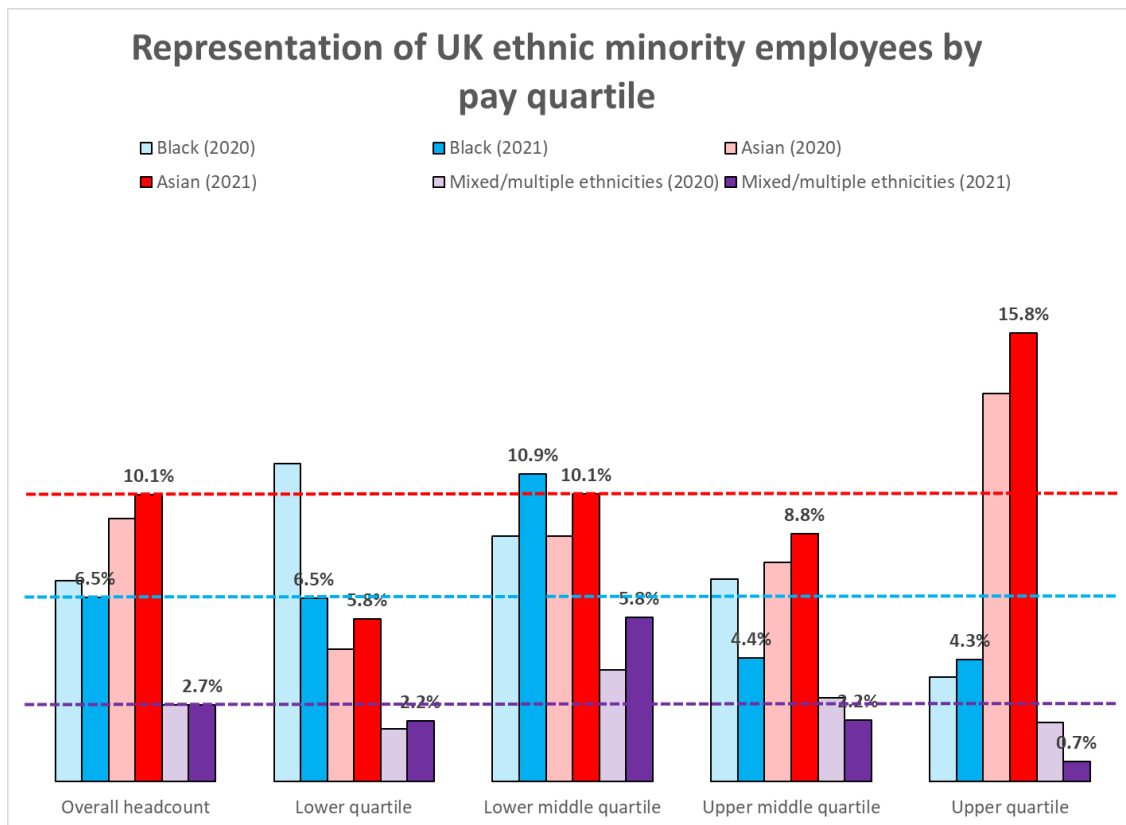


### Pay quartiles

We note variances across our pay quartiles between ethnic groups that broadly correspond with our mean and median pay gaps.

Asian employees (red bars) remain over-represented in our uppermost pay quartile and under-represented in our lowest. Black employees (blue bars) meanwhile are significantly under-represented in our uppermost quartile (note though that while they are no longer under-represented in our lowest quartile, this is again due to the disproportionately high exit rate in this reporting year of black employees at more junior and lower-paid levels). Employees of mixed/multiple ethnicities (purple bars) skew more towards our three lower quartiles.

We anticipate that actions outlined later in this report to address factors contributing to our mean and median ethnicity pay gaps will inherently impact our pay quartile gaps in a positive way too.



## Actions

The executive team have agreed for the following recommendations to be taken forward over the coming year and beyond with the expectation that they will either positively impact our pay and bonus gaps or identify further actions that will do so in future reporting periods:

- Improve our ethnicity data disclosure rate by at least 5pp per year to 2025;
- Reduce pay gaps by 1pp per disaggregated ethnic group per year to 2025;
- Select 1.5x more eligible black employees and employees of mixed/multiple ethnicities for management and leadership development programmes than eligible white employees per year to 2025;
- Develop a career choice framework that supports and enables UK ethnic minority employees (specifically those of black and black/mixed/multiple ethnicities) to progress their careers. Specific considerations will be made to support development of equity and readiness, enabling success in role (approach scoped, designed with support from colleagues of colour and agreed by July 2022, ahead of performance/priorities year 2022/23);
- As part of the planned review of our performance management processes (FY23), all possible steps will be taken to reduce subjectivity in the processes and performance conversations;
- Improve diverse hiring practices for all roles, including for senior positions (all roles recruited in FY22 at Head of Function level or above to be shared with diverse agencies and recruited using diverse selection panels; positive action to be applied to candidate attraction);
- Increase UK ethnic minority representation in roles attracting sales incentive bonuses;
- Identify and eliminate any controllable factors influencing variance in progression rates;
- Conduct UK equal pay audit within CGLI elements of organisation in May 2022;
- Conduct equal pay audit including all UK employees within scope following implementation of new Career Choice Framework;
- Conduct analysis to determine why we saw such a high exit rate for black employees in the most recent reporting year, whether we should expect to see continuation of this trend and how we can best address it;
- Conduct more intersectional analysis to better understand and address the pay gaps we see for black men in particular.



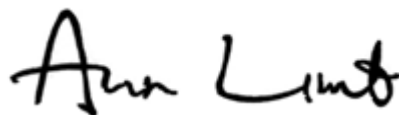
### Concluding comments

While we are encouraged to observe some positive movement in our pay gaps we also note that the underlying reasons are not entirely intentional or indeed so positive as they first appear. We also recognise that the direct results of our specific actions won't necessarily track through into our data for a couple of years due to the retrospective nature of this reporting and the time it takes to embed some changes in policy, process and practice.

We appreciate the increasingly collaborative and intersectional work being done by our network of Community Support Groups (CSGs), our Diversity, Equity & Inclusion team and others. They have the full support of our Trustees and executive team to take forward the recommendations outlined above. We expect to see further positive progress in the coming years as we remain fully committed to eradicating the ethnicity pay gap, to diversity, equity and inclusion as a whole and to the social impact that our organisational purpose delivers.

A handwritten signature in black ink, appearing to read "Kirstie Donnelly".

Kirstie Donnelly  
Group Chief Executive Officer

A handwritten signature in black ink, appearing to read "Ann Limb".

Dr Ann Limb  
Chair

April 2022