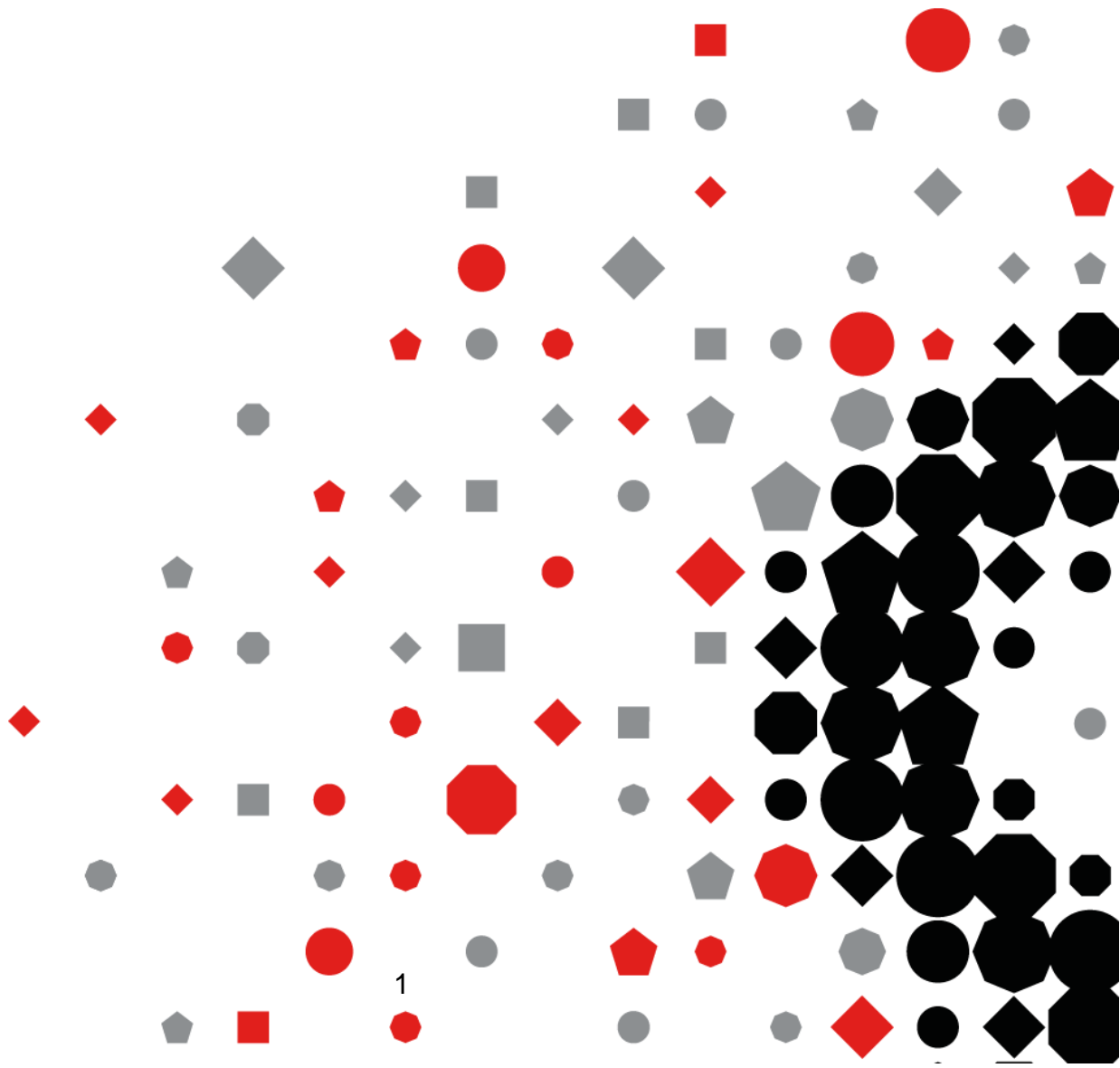


City & Guilds 2021 ethnicity pay gap report (effective April 2020)

This is City & Guilds' first UK ethnicity pay gap report. Findings are based on data as at 5 April 2020. We have identified some specific areas of concern and are committed to reducing our gaps in the coming years.



Introduction

About City & Guilds

City & Guilds comprises a number of business units that collectively employ 1455 staff around the world, of whom 1202 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.

592 (49.2%) of our 1202 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 113 (19.1%) are from ethnic minorities and their average length of service is roughly 6 months greater than that of our white employees. 1 (3.7%) of our 27 most senior employees by grade for whom we hold ethnicity data is from an ethnic minority.

Our commitment to inclusion and diversity

Our commitment to inclusion and diversity has always been implicit within our organisational purpose (to 'help people, organisations and economies develop their skills for growth') but in recent years we have sought to connect the two intents more explicitly. We are currently exploring how we can evidentially demonstrate how our social impact starts with internal equity and ends with our external contribution to the United Nations sustainable development goal to 'reduce inequality within and among countries'.

We have invested significantly in inclusion and diversity since the start of 2020, undertaking a range of ad hoc and cyclical listening exercises to understand better the lived experiences of our employees and their motivational drivers, taking a data-led approach to the development of our inclusion and diversity strategy, and hiring additional resource to focus both on our internal employee experience and the embedding of inclusivity in the design of our products and services.

Reporting scope and responsibilities

We have decided to include all of our UK employees within the scope of all pay gap reports. Previously some of our smaller contracting entities were excluded from our gender pay gap reports for reasons of headcount size (<250) but for transparency – and in the absence of specific governmental advice to opt otherwise for voluntary ethnicity pay gap reporting – we feel it is right to include our entire UK employee base.

Responsibility for our pay gap reporting sits with our People Insights & Experience team, enabling a direct flow of our analytical insights into our inclusion and diversity strategy and more effective alignment of the latter with specific actions arising from pay gap reports.

External context

Per the Office for National Statistics the aggregated national median pay gap in 2019 (2020 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 113 ethnic minority employees who have disclosed ethnicity data, 41 (36.3%) identify as of Indian ethnicity, 21 (18.6%) black (Caribbean), 14 (12.4%) black (African), 7 (6.2%) black (other) and 7 (6.2%) mixed ethnicity (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 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.

Metrics

Mean and median pay gaps

Our mean pay gap is 5.2% when employees from all ethnic minorities are grouped together. However this aggregated figure masks significant variance between ethnic groups. Our Asian employees earn on average 9.2% more than our white employees, whereas our black employees earn 20.5% less and our employees of mixed ethnicity 14.2% less.

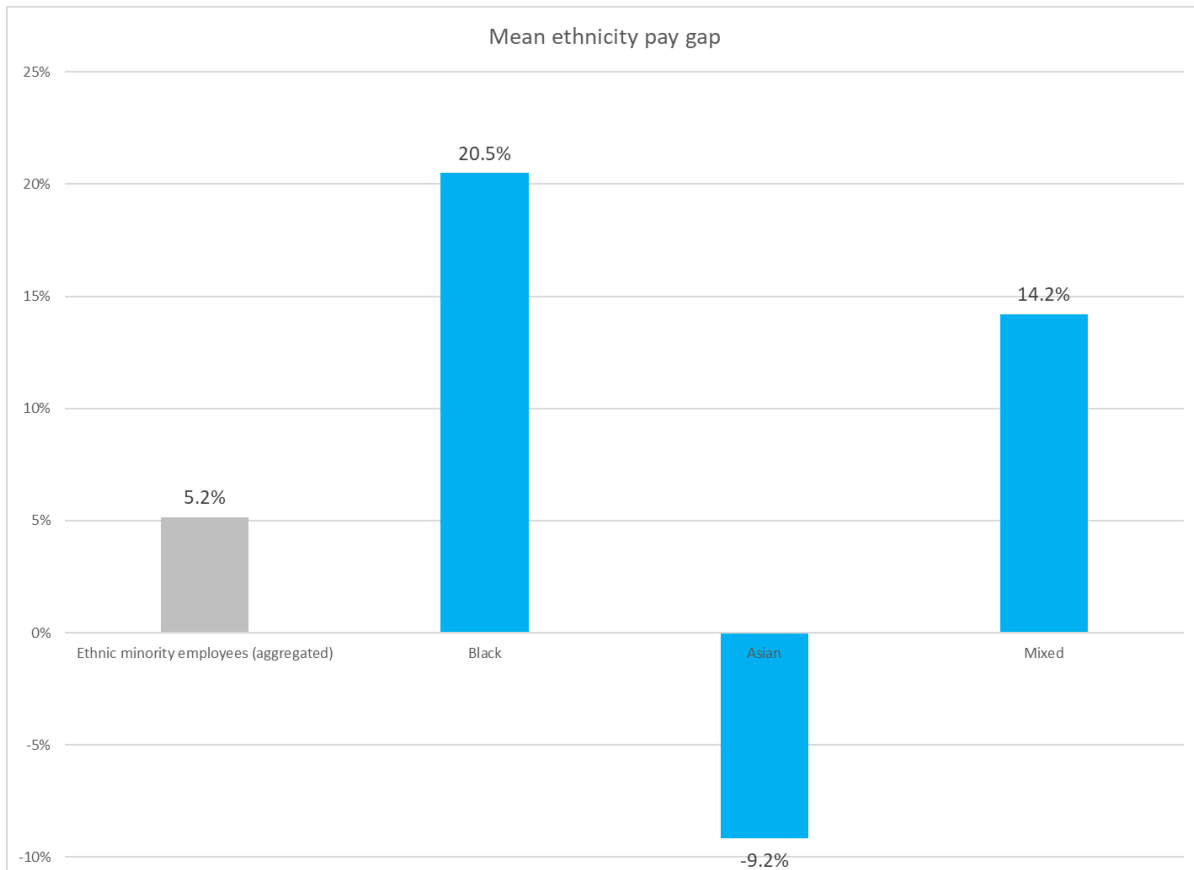
Our median pay gap is 5.6% when employees from all ethnic minorities are grouped together. Again this aggregated figure masks significant variance between ethnic groups. Our Asian employees earn on average 15.4% more than our white employees, whereas our black employees earn 20.7% less and our employees of mixed ethnicity 9.7% less.

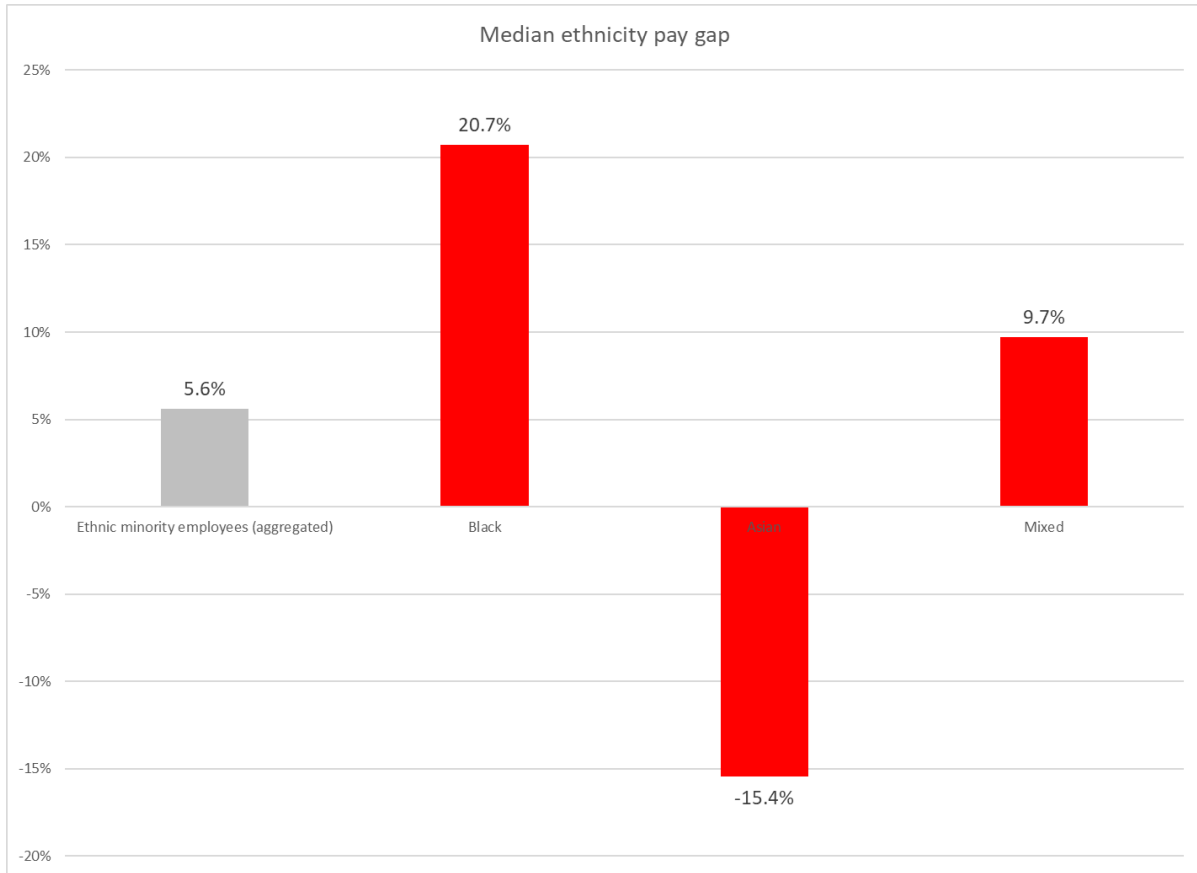
We want to improve our ethnicity data disclosure rate so that we can more fully understand levels of representation and our pay gaps, so this will be a key focus in the coming year.

We propose setting disaggregated targets to reduce our pay gaps by at least 1pp per year to 2025. We have identified the following contributors to the gaps:

- i. Under-representation of 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 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 (13.3% vs 29.7% of white employees);
- 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 address the contributing factors listed above are outlined later in this report.



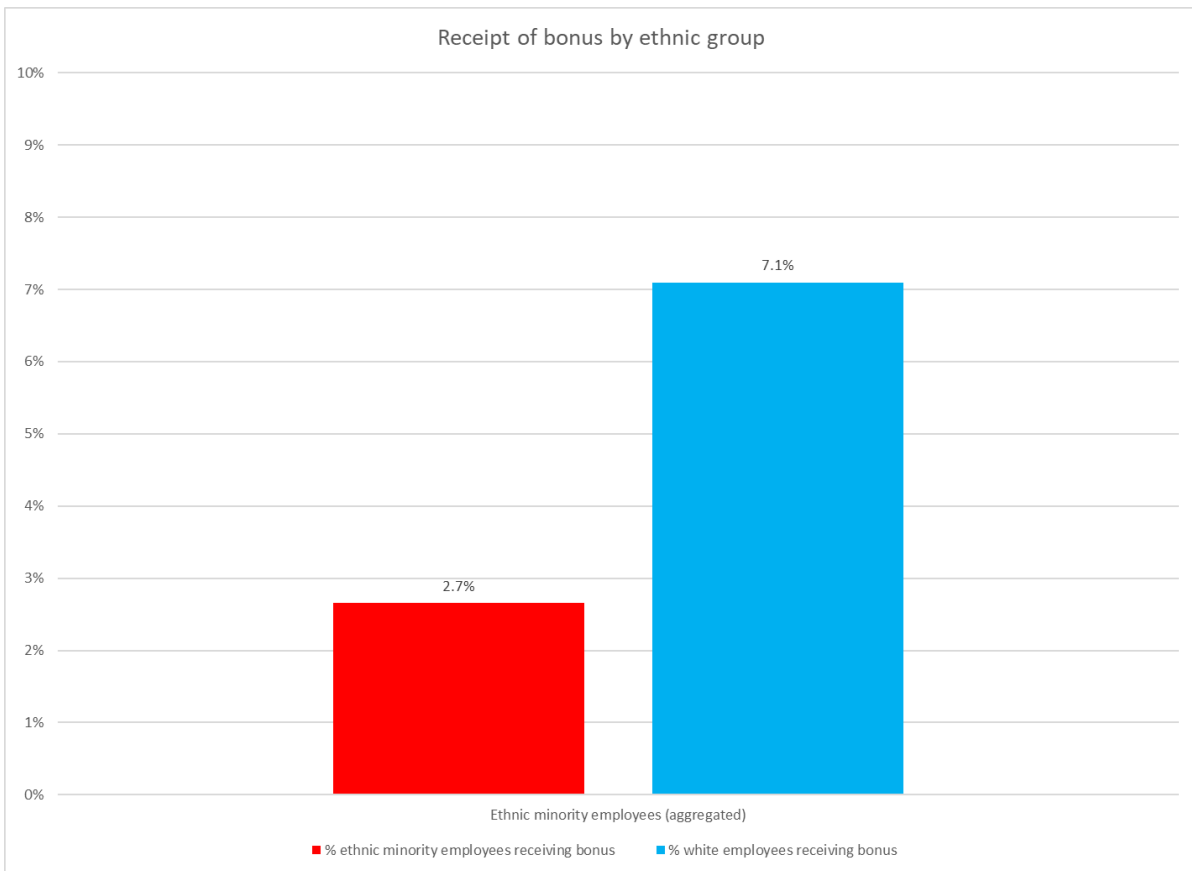


Mean and median bonus gaps

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.

% ethnic minority and white employees receiving bonus

2.7% of ethnic minority employees received a bonus, compared to 7.1% of white employees. Sample sizes are too small to disaggregate ethnic minority groupings without risking identifying individuals and exposing personal reward arrangements.

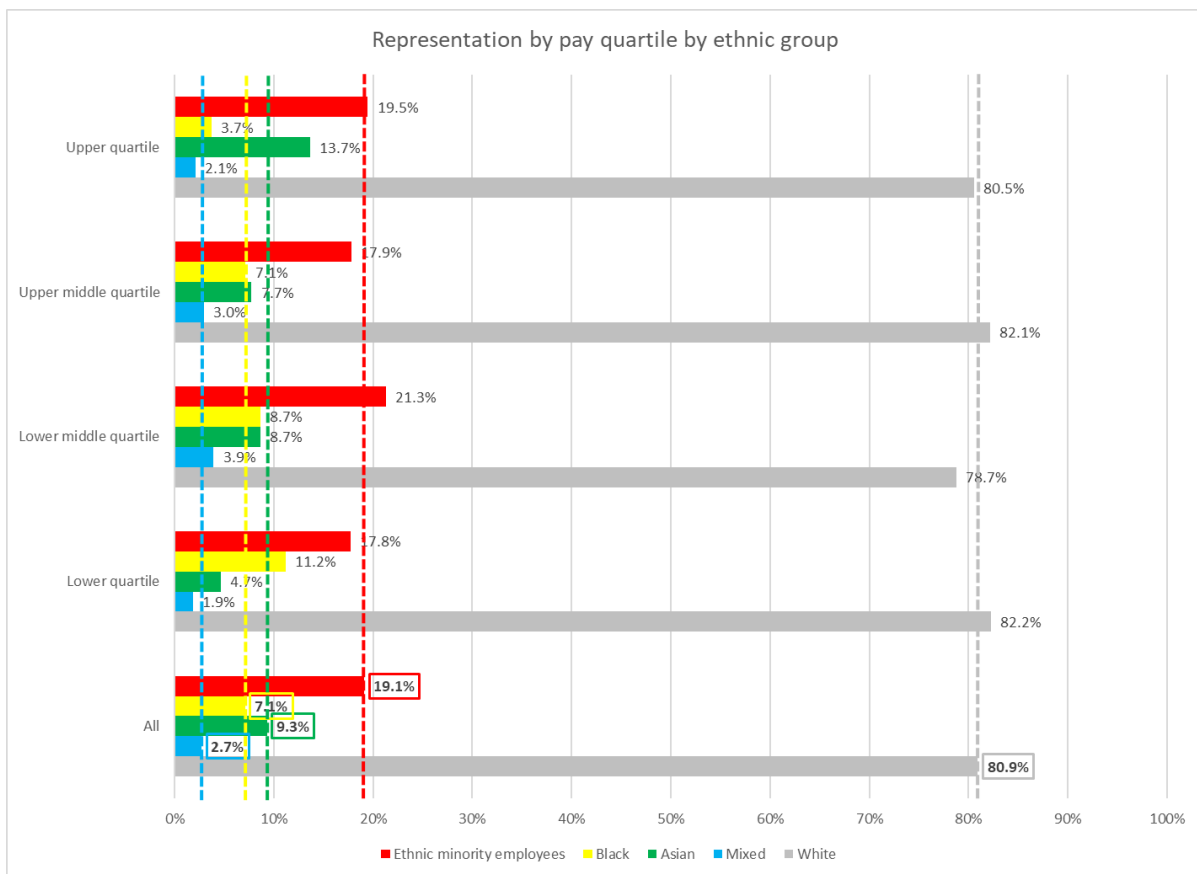


Pay quartiles

When grouped together ethnic minority employees appear broadly proportionally represented throughout our pay quartiles (compare the length of each red bar below with the position of the red dotted line, which represents the overall proportion of total headcount).

However we note significant variances when disaggregating our data by ethnic group. Asian employees are over-represented in our uppermost pay quartile and under-represented in our lowest. Black employees meanwhile are over-represented in our lowest two quartiles and under-represented in our uppermost quartile. Employees of mixed ethnicity skew more towards our middle two 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;
- Agree disaggregated targets to reduce pay gaps by 1pp per year to 2025;
- Select 1.5x more eligible black employees and employees of mixed ethnicity for management and leadership development programmes than eligible white employees per year to 2025;
- Develop a career choice framework that supports and enables ethnic minority employees (specifically those of black and black/mixed 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 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.

Concluding comments

We are disappointed by the size of our overall pay gaps and note that carefully targeted work will be required to address the gaps relating to specific groups of employees in particular. We acknowledge that this may take some time and also that this first report is based on limited ethnicity data, but we recognise nonetheless the urgency required to start analysing our gaps more forensically and to publish them regularly and transparently, regardless of any statutory requirement – or otherwise – to do so.

We welcome the creation of a dedicated team of inclusion and diversity experts and their data- and insights-driven approach to the development of a clear inclusion and diversity strategy. We also acknowledge the good work done to date by our network of Inclusion and Diversity Champions and our Community Support Groups (CSGs), in particular our Racial Equality CSG, which was formed in parallel with the scoping of our Lived Experience listening project.

The People Insights & Experience team and broader People function have the full support of our Trustees and executive team to take forward the recommendations outlined above. We expect to see positive progress in the coming years as we remain fully committed to eradicating the ethnicity pay gap, to inclusion and diversity as a whole and to the social impact that our organisational purpose delivers.



Kirstie Donnelly
Group Chief Executive Officer



Sir John Armit
Chair

October 2021