

**Narrative report summary – reporting
year 2019/20**

British Council Gender Pay Gap Report

Date: March 2021

1 Introduction

This is the narrative report summary to accompany our 2019/20 gender pay gap report numbers.

We also publish this report and summary alongside our 2018/19 report. We have prioritised much of our activity since March 2020 on managing the effects of Covid-19 on our global operations. We did not to publish the 18/19 report on the original due date of 30 March 2020 for this reason, and because the deadline was no longer enforced by the Government Equalities Office. Also, for the same reasons, we have not been able to give as much attention to agreeing and implementing action plans for this 19/20 report. We hope to do a lot more on action planning for the upcoming 21/22 reporting year, once our operations start getting back to normal.

2 Gender Pay report narrative summary

The Gender Pay Gap report covers UK-contracted colleagues, including those based overseas. As with previous Gender Pay Gap reports, we have also chosen to report our ethnicity pay gaps using the Gender Pay Gap reporting methodology. This year as well as calculating the pay gaps for a single 'minority ethnic' grouping, we've also calculated pay gaps for individual minority ethnic groups.

2.1 Pay gap observations

- We have gender pay gaps across all of the reporting metrics.
- This reporting year, after a number of years of the gender pay gaps widening, our average gender pay gap reduced by 0.5 percentage points and the median pay gap marginally increased by 0.2 percentage points.
- Ethnicity pay gaps have grown since the 18/19 report.
- The proportion of colleagues who have not disclosed their ethnicity has continued to rise from 23 to 28 per cent which means it is increasingly unclear how reflective of our actual population these pay gap measures are.
- The average gender bonus gap continues to narrow after the introduction of fixed cash bonuses in 2018, however the median bonus gap has grown.
- The average ethnicity bonus gap grew 0.7 percentage points since 18/19.
- Median bonus gaps have grown considerably however they can change significantly from one year to the next due to our fixed cash bonus structure.

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- Our equal pay audit (see appendix 4.1: Equal pay audit 2018/19) shows that we do not have an unequal pay issue on either gender or ethnicity and therefore it is not a contributing factor to our pay gaps.

2.2 Reasons for our current pay gaps

- There are disproportionately fewer female and minority ethnic staff in higher paid senior management roles and disproportionately more female and minority ethnic staff in lower level roles.
- In the reporting year 2019/20 the proportion of women in the top quartile of earners increased from 43.5 to 45.8 per cent, which contributed to narrowing the pay gaps.
- The proportion of women in the bottom quartile of earners increased from 67.9 per cent to 71 per cent which, on its own would have caused the pay gaps to grow.
- It would seem these changes together largely offset each other resulting in a small reduction of the average gender pay gap and a marginal increase in the median gender pay gap.
- In the reporting year 2019/20 the proportion of minority ethnic staff in the top quartile of earners reduced very marginally from 8.5 to 8.4 per cent.
- The proportion of minority ethnic staff in the bottom quartile of earners increased marginally from 13.7 to 14.9 per cent.
- These very minor changes were unlikely to have much of a direct impact on the ethnicity pay gaps.
- The proportion of majority ethnic staff in the top quartile of earners reduced marginally from 74 to 73 per cent.
- The proportion of majority ethnic staff in the bottom quartile of earners reduced significantly from 54 to 38 per cent as a result in a significant rise in the proportion of 'not knows' from 37 to 47 per cent.
- It was this significant reduction in the proportion of majority ethnic staff in the bottom quartile of earners that caused the ethnicity pay gaps to grow. This change was mainly caused by a corresponding rise in the proportion of 'not knows' in the bottom quartile of earners.

2.3 Reasons for the changes in demographics that cause the pay gaps

- In the reporting year, recruitment rates into senior management broadband (SMB) were higher for women than men – nine per cent for women; six per cent for men.

- Promotion rates into and within SMB were higher for women than men – nine per cent for women; six per cent for men.
- Reversing a trend that has emerged over the last couple of years, employee turnover rates (the proportion of employees leaving British Council employment) in SMB were lower for women than men – nine per cent for women; 11 per cent for men.
- Altogether these three factors led an increase in the proportion of women in SMB from 42.7 to 43.9 per cent.
- At the junior level we saw a big increase in the recruitment rate for women compared to men – 33 per cent for women, 22 per cent for men.
- Whereas both promotion rates from junior roles and turnover rates were almost the same for men and women.
- Taken together these two factors meant the proportion of women in junior roles increased from 71.2 to 72.2 per cent.
- On ethnicity the main change to note is the increasing proportion of ‘not knowns’ rising from 23 to 28 per cent in the reporting year.
- A lot of this rise was driven by 83 per cent of new recruits not disclosing their ethnicity.
- At the junior level where the highest volume of recruitment took place, over 90 per cent of new recruits did not disclose their ethnicity.
- Promotion rates between majority and minority ethnic staff at different levels are broadly the same.
- Turnover rates are a bit higher for minority ethnic staff in Senior Management Broadband (SMB) – 12 per cent compared to eight per cent for majority ethnic staff.
- The net result of these trends was to push the proportion of majority ethnic staff in junior lower paying roles downwards, whereas the proportion of minority ethnic staff at this level did not change much at all.

2.4 Review of pay gap action plan in 2019/20

We have taken action over the last year to better understand the causes for the pay gaps. Where possible, we have addressed the issues which may cause them.

However, it is becoming evident that any action taken in a given year is unlikely to have much immediate impact and as such many action plan items will need to stretch over a longer time period than a single year:

- We continued implementation of our approach to talent management in 2019/20 completing our assessment of LMFG and above and also down a management level to the senior managers and professionals (SMP) level, identifying talent pools who will hopefully go into senior level roles in the near future.

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- Female colleagues made up 54 per cent of the succession pool to LMFG even though they only equated to 45 per cent of the total Senior Management Broadband (SMB) population.
 - Minority ethnic employees made up eight per cent of the succession pool to LMFG, which is equivalent to their current population in SMB.
 - We shared business unit level gender pay reports with business units. However due to the operational impact of Covid-19 at the end of the reporting year we decided to delay business unit pay gap action planning and move this into the next reporting year.
 - We successfully piloted an approach to online exit surveys utilising our existing staff survey tool – from this we should be able to better understand why people leave the organisation and it will be possible to segment the data by gender and ethnicity and see if there are differences to exit questions such as “I felt valued for my contribution to the organisation through the work I did” at different work levels. We had to delay global implementation of the survey until our new global HR system has been fully implemented, which in turn was delayed due to operational impact of Covid-19.
 - We made some changes to our HR system that made it easier for colleagues to update their ethnicity details and we also sent out a communication from our leadership team ‘race champion’ encouraging recent recruits to update their details. However, neither action had a significant impact on reducing ethnicity non-disclosure rates.
 - We started to monitor ethnicity pay gaps between the main ethnic groups rather than just grouping all ethnic minorities into a single group – at present this approach is somewhat hindered by low disclosure rates and the lack of statistical relevance of calculating pay gaps for very small samples.

2.5 Planned action plan for next reporting year and beyond

As highlighted in the introduction, the Covid-19 pandemic has significantly impacted British Council operations globally and most management time in 20/21 has been directed towards managing that impact. As such the opportunities to develop and implement a significant Gender and Ethnicity Pay Gap action plan in 20/21 are limited because many processes that would help combat the causes of pay gaps have been paused or delayed.

- We will share both 18/19 and 19/20 business unit pay gap reports with business unit leadership team. Business units will use these reports to help them to agree their own action plans which will support the overall action plan and seek to mitigate the underlying causes to the gender and ethnicity pay gaps.
- We will continue the talent management process. We will monitor development and career progress of those identified as talent in the first and second phases of the

programme. We will check whether this affects promotion rates for female and minority ethnic staff in senior management broadband.

- We will implement changes to the HR system that will strongly encourage new joiners to declare their ethnicity (by having a mandatory section gathering this data which includes an option to not to provide it). We will again target recent recruits with a campaign to encourage them to disclose their ethnicity.

3 The Main Pay Gap Metrics

Like in previous years, we have included an analysis of the pay gap between majority and minority ethnic staff using the same methodology as the gender pay gap regulations. This year we have also included an analysis of pay gaps between the main ethnic groupings: White, Black, Asian, Mixed and Other.

We have gender and ethnicity pay gaps across all the pay gap metrics. There are also pay gaps between the White and all the other main ethnic category groupings, although some of the sample sizes being compared are very small.

3.1 Gender pay gaps

After a few years of our gender pay gaps increasing, this reporting year we have seen a small decrease in the average pay gap and only a marginal increase in the median pay gap. The average bonus gap has reduced again after a reduction in the previous year, following the introduction of a fixed cash bonus structure in 2018. We have seen a significant increase in the median bonus gap, however we believe this is a result of the fixed bonus structure in that so many staff are receiving the same cash bonus and very small changes in the numbers of staff receiving a certain bonus can result in the median shifting by relatively significant amounts up and down the bonus structure. For this reason, we feel the average bonus gap is a fairer reflection of the bonus gap.

2019/20

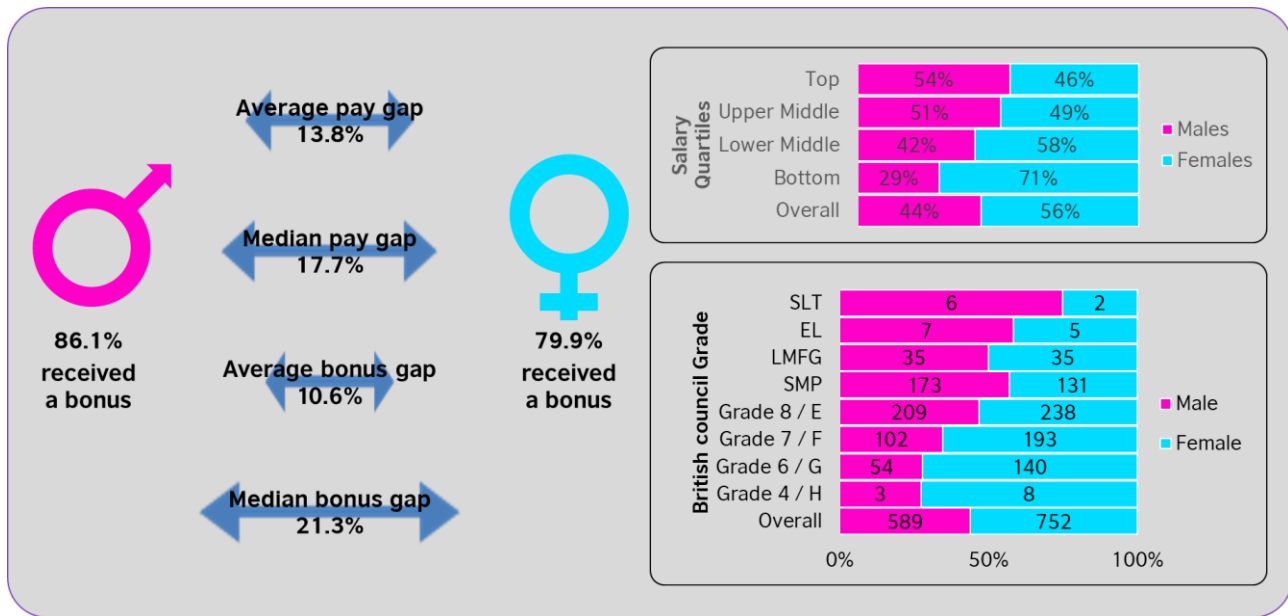


Figure 1: British Council gender pay gap reporting metrics 2019/20

| Measure | Gap |
|---------------------------------|-------|
| Average pay gap | 13.8% |
| Median pay gap | 17.7% |
| Average bonus gap | 10.6% |
| Median bonus gap | 21.3% |
| % of men who received a bonus | 86.1% |
| % of women who received a bonus | 79.9% |

Table 1: British Council gender pay gap measures 2019/20

| Salary quartile | % men | % women |
|-----------------|-------|---------|
| Top | 54% | 46% |
| Upper middle | 51% | 49% |
| Lower middle | 42% | 58% |
| Bottom | 29% | 71% |
| Overall | 44% | 56% |

Table 2: British Council gender pay gap salary quartiles 2019/20

| British Council grade | Male headcount | Female headcount |
|---|----------------|------------------|
| Senior leadership team (SLT) | 6 | 2 |
| Enterprise leadership (EL) | 7 | 5 |
| Leaders of major geographies and functions (LMFG) | 35 | 35 |
| Senior management professionals (SMP) | 173 | 131 |
| Grade 8 / E | 209 | 238 |
| Grade 7 / F | 102 | 193 |
| Grade 6 / G | 54 | 140 |
| Grade 4 / H | 3 | 8 |
| Overall | 589 | 752 |

Table 3: British Council grade by gender headcount 2019/20

2018/19

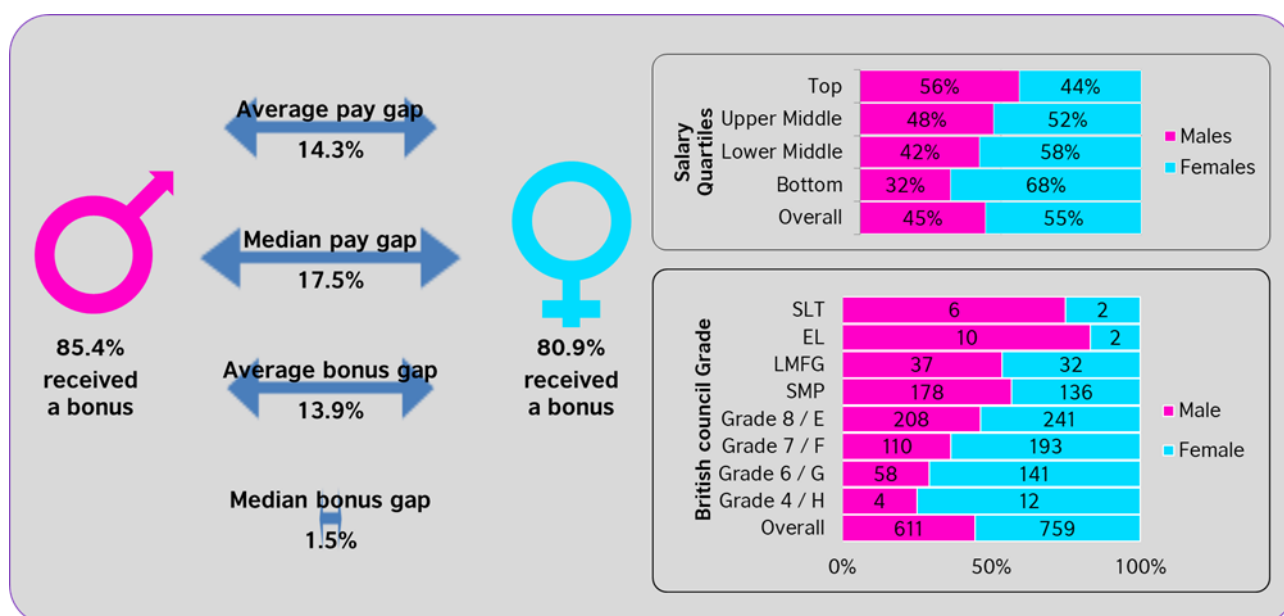


Figure 2: British Council gender pay gap reporting metrics 2018/19

| Measure | Gap |
|---------------------------------|-------|
| Average pay gap | 14.3% |
| Median pay gap | 17.5% |
| Average bonus gap | 13.9% |
| Median bonus gap | 1.5% |
| % of men who received a bonus | 85.4% |
| % of women who received a bonus | 80.9% |

Table 4: British Council gender pay gap measures 2018/19

| Salary quartile | % men | % women |
|-----------------|-------|---------|
| Top | 56% | 44% |
| Upper middle | 48% | 52% |
| Lower middle | 42% | 58% |
| Bottom | 32% | 68% |
| Overall | 45% | 55% |

Table 5: British Council gender pay gap salary quartiles 2018/19

| British Council grade | Male headcount | Female headcount |
|---|----------------|------------------|
| Senior leadership team (SLT) | 6 | 2 |
| Enterprise leadership (EL) | 10 | 2 |
| Leaders of major geographies and functions (LMFG) | 37 | 32 |
| Senior management professionals (SMP) | 178 | 136 |
| Grade 8 / E | 208 | 241 |
| Grade 7 / F | 110 | 193 |
| Grade 6 / G | 58 | 141 |
| Grade 4 / H | 4 | 12 |
| Overall | 611 | 759 |

Table 6: British Council grade by gender headcount 2018/19

3.2 Ethnicity pay gaps

This year we have seen all ethnicity pay gaps increase from 18/19, some quite significantly. However, this issue needs to be considered against the continuing rise in the proportion of ‘not knowns’ of the overall population. While the proportion of minority ethnic staff within the different salary quartiles has remained broadly the same at all levels, we have seen the overall proportion of not knowns rise from 23 to 28 per cent and in the bottom quartile it has risen from 37 to 47 per cent. At the same time the proportion of majority ethnic staff in the bottom quartile has reduced from 50 to 38 per cent and the proportion of minority ethnic staff has remained steady. The result is with fewer majority ethnic staff in the bottom quartile, their overall average and median pay will increase and hence the pay gaps will increase. As with last year pay gaps are largely being driven by an increasing number of not knowns.

2019/20

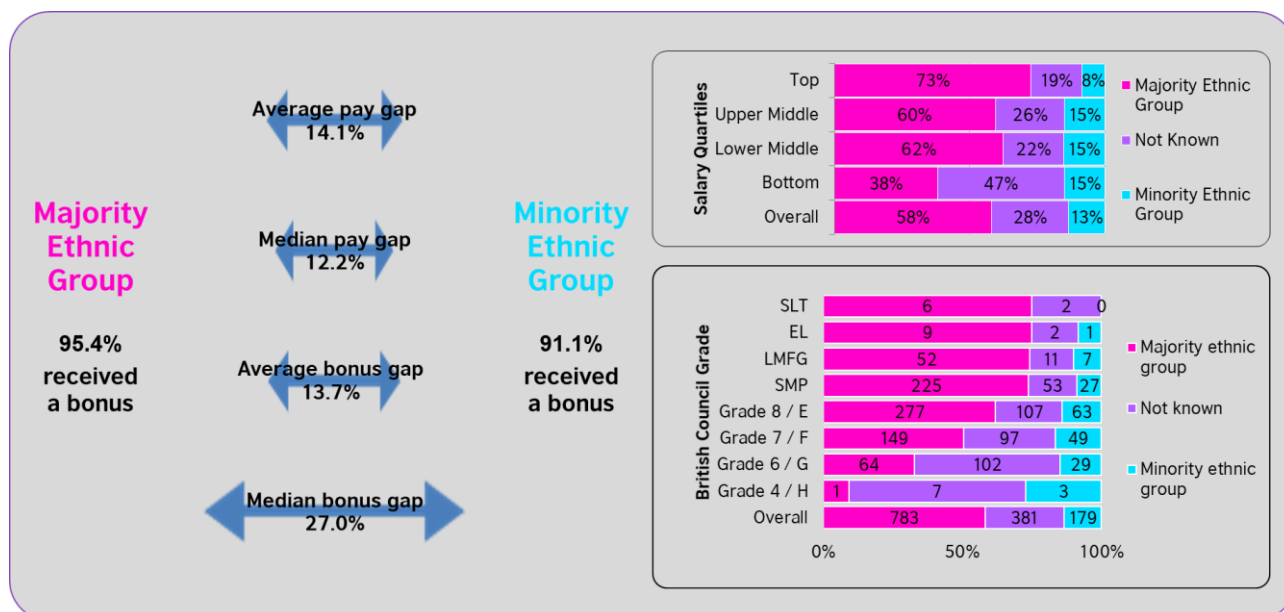


Figure 3: British Council ethnicity pay gap reporting metrics 2018/19

| Measure | Gap |
|---|-------|
| Average pay gap | 14.1% |
| Median pay gap | 12.2% |
| Average bonus gap | 13.7% |
| Median bonus gap | 27.0% |
| % of majority ethnic staff who received a bonus | 95.4% |
| % of minority ethnic staff who received a bonus | 91.1% |

Table 7: British Council ethnicity pay gap measures 2019/20

| Salary quartile | % majority ethnic group | % not known | % minority ethnic group |
|-----------------|-------------------------|-------------|-------------------------|
| Top | 73% | 19% | 8% |
| Upper middle | 60% | 26% | 15% |
| Lower middle | 62% | 22% | 15% |
| Bottom | 38% | 47% | 15% |
| Overall | 58% | 28% | 13% |

Table 8: British Council ethnicity pay gap salary quartiles 2019/20

| British Council grade | majority ethnic group headcount | not known headcount | minority ethnic group headcount |
|---|---------------------------------|---------------------|---------------------------------|
| Senior leadership team (SLT) | 6 | 2 | 0 |
| Enterprise leadership (EL) | 9 | 2 | 1 |
| Leaders of major geographies and functions (LMFG) | 52 | 11 | 7 |
| Senior management professionals (SMP) | 225 | 53 | 27 |
| Grade 8 / E | 277 | 107 | 63 |
| Grade 7 / F | 149 | 97 | 49 |
| Grade 6 / G | 64 | 102 | 29 |
| Grade 4 / H | 1 | 7 | 3 |
| Overall | 783 | 381 | 179 |

Table 9: British Council grade by ethnicity grouping headcount 2019/20

2018/19

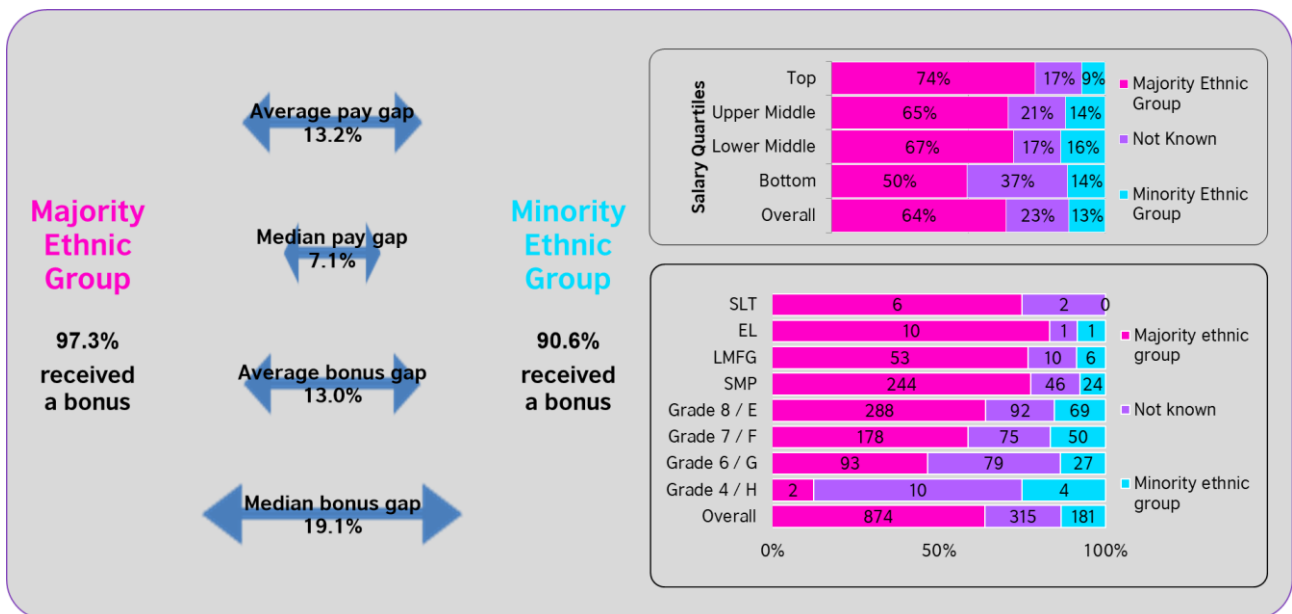


Figure 4: British Council ethnicity pay gap reporting metrics 2018/19

| Measure | Gap |
|---|-------|
| Average pay gap | 13.2% |
| Median pay gap | 7.1% |
| Average bonus gap | 13.0% |
| Median bonus gap | 19.1% |
| % of majority ethnic staff who received a bonus | 97.3% |
| % of minority ethnic staff who received a bonus | 90.6% |

Table 10: British Council ethnicity pay gap measures 2018/19

| Salary quartile | % majority ethnic group | % not known | % minority ethnic group |
|-----------------|-------------------------|-------------|-------------------------|
| Top | 74% | 17% | 9% |
| Upper middle | 65% | 21% | 14% |
| Lower middle | 67% | 17% | 16% |
| Bottom | 50% | 37% | 14% |
| Overall | 64% | 23% | 13% |

Table 11: British Council ethnicity pay gap salary quartiles 2018/19

| British Council grade | majority ethnic group headcount | not known headcount | minority ethnic group headcount |
|---|---------------------------------|---------------------|---------------------------------|
| Senior leadership team (SLT) | 6 | 2 | 0 |
| Enterprise leadership (EL) | 10 | 1 | 1 |
| Leaders of major geographies and functions (LMFG) | 53 | 10 | 6 |
| Senior management professionals (SMP) | 244 | 46 | 24 |
| Grade 8 / E | 288 | 92 | 69 |
| Grade 7 / F | 178 | 75 | 50 |
| Grade 6 / G | 93 | 79 | 27 |
| Grade 4 / H | 2 | 10 | 4 |
| Overall | 874 | 315 | 181 |

Table 12: British Council grade by ethnicity grouping headcount 2018/19

3.2.1 Ethnic group pay gaps

We have decided this reporting year to add a bit more granular detail to our ethnicity pay gap reporting, splitting out the ethnic origin data into five main groups: White, Asian, Black, Mixed

and Other and measuring the pay gaps between White and the other four Ethnic Minority groupings.

As we have already observed the rising proportion of ‘not knowns’ among the overall population makes carrying out ethnicity pay gap analysis problematic because over 25 per cent of our workforce is not being included in that analysis. The issue is more pronounced when we look at specific ethnic groupings, because low disclosure rates mean that some of the sample sizes of the groups we’re comparing are very small. The statistical relevance of such small data sets is quite low. That said this year we have produced the numbers to set a base line that we can start to monitor over time. Alongside an improved disclosure rate, we hope these numbers will start to have more relevance over time.

All the ethnic minority groupings have pay and bonus gaps compared to the White ethnic group. The reasons for these pay gaps are the same as for our other pay gap analysis – compared to their proportion of the overall workforce, they are underrepresented in the top quartile of earners and over-represented in the bottom quartile of earners.

| Ethnic Group | Average pay gap | Median pay gap | Average bonus gap | Median bonus gap | Bottom quartile % | Lower middle quartile % | Upper middle quartile % | Top quartile % | Overall % of workforce | Sample size |
|--------------|-----------------|----------------|-------------------|------------------|-------------------|-------------------------|-------------------------|----------------|------------------------|-------------|
| Asian | 9.3% | 8.8% | 10.6% | 24.8% | 15.8% | 10.3% | 13.7% | 7.6% | 11.4% | 100 |
| Black | 20.1% | 15.1% | 22.5% | 28.0% | 9.9% | 6.3% | 5.6% | 1.2% | 5.2% | 43 |
| Mixed | 18.0% | 18.5% | 10.7% | 9.6% | 5.9% | 4.1% | 2.9% | 1.6% | 3.3% | 27 |
| Other | 26.5% | 22.9% | 22.4% | 28.0% | 3.0% | 1.9% | 0.0% | 0.4% | 1.1% | 9 |

Table 13: British Council Ethnic Minority Group Pay Gap with White Ethnic Group metrics 2019/20

4 Appendix

4.1 Equal pay audit 2018/19

Equal pay is a different metric to gender pay gaps. Equal pay measures whether different equality groups are paid differently for doing work of equal value. It is tested by measuring the pay gaps within a pay grade rather than across the organisation.

We have included our 2019/20 equal pay audit analysis for both gender and ethnicity in this report. To show equal pay we should have pay gaps of less than five per cent at each grade¹.

Both on gender and ethnicity British Council does not have an equal pay issue.

¹ For data confidentiality and statistical relevance reasons we only report the equal pay gap if there are at least four people from an equality group at that level

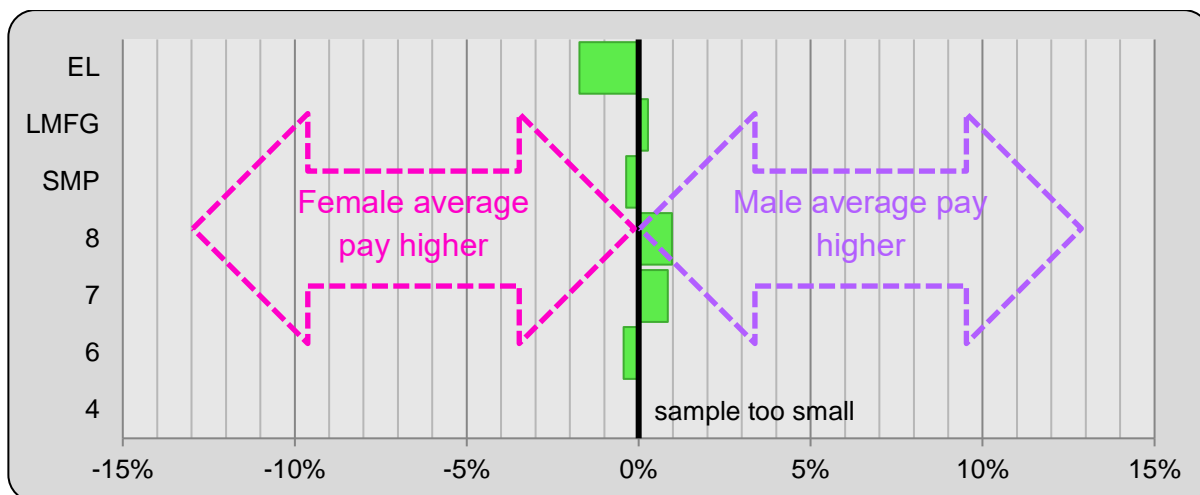


Figure 5: British Council Gender 'average' equal pay gaps 2019/20

| British Council grade | Average equal pay gap |
|---|-----------------------|
| Enterprise Leadership (EL) | -1.7% |
| Leaders of major geographies and functions (LMFG) | 0.3% |
| Senior management professionals (SMP) | -0.4% |
| Grade 8 / E | 1.0% |
| Grade 7 / F | 0.9% |
| Grade 6 / G | -0.4% |
| Grade 4 / H | sample too small |

Table 14: British Council Gender 'average' equal pay gaps 2019/20

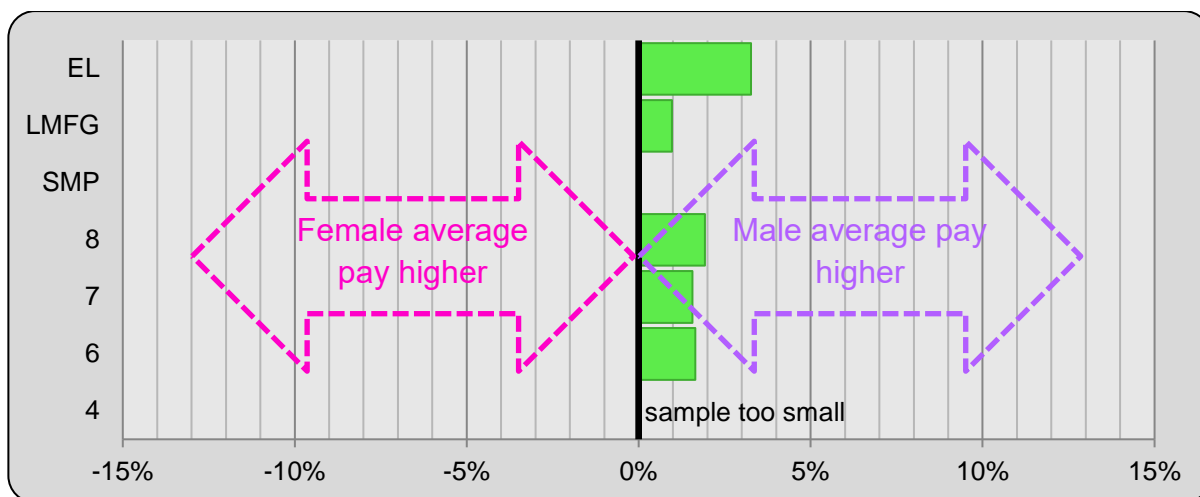


Figure 6: British Council Gender 'median' equal pay gaps 2018/19

| British Council grade | Median equal pay gap |
|---|----------------------|
| Enterprise Leadership (EL) | 3.3% |
| Leaders of major geographies and functions (LMFG) | 1.0% |
| Senior management professionals (SMP) | 0.0% |

| | |
|-------------|------------------|
| Grade 8 / E | 1.9% |
| Grade 7 / F | 1.6% |
| Grade 6 / G | 1.6% |
| Grade 4 / H | sample too small |

Table 15: British Council Gender 'median' equal pay gaps 2018/19

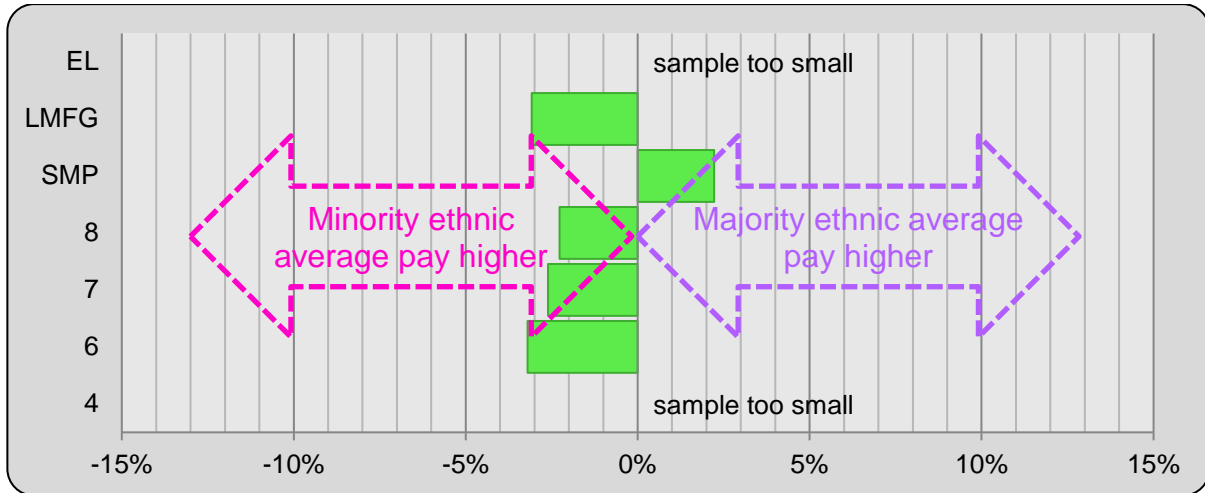


Figure 7: British Council Ethnicity 'average' equal pay gaps 2019/20

| British Council grade | Average equal pay gap |
|---|-----------------------|
| Enterprise Leadership (EL) | sample too small |
| Leaders of major geographies and functions (LMFG) | -3.1% |
| Senior management professionals (SMP) | 2.2% |
| Grade 8 / E | -2.3% |
| Grade 7 / F | -2.6% |
| Grade 6 / G | -3.2% |
| Grade 4 / H | sample too small |

Table 16: British Council ethnicity 'average' equal pay gaps 2018/19

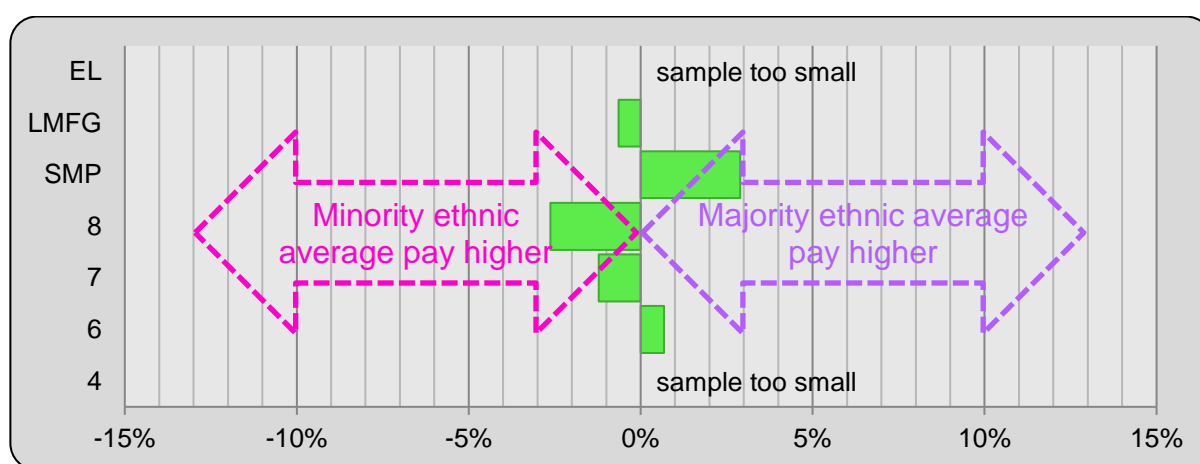


Figure 8: British Council ethnicity 'median' equal pay gaps 2018/19

| British Council grade | Average equal pay gap |
|---|-----------------------|
| Enterprise Leadership (EL) | sample too small |
| Leaders of major geographies and functions (LMFG) | -0.6% |
| Senior management professionals (SMP) | 2.9% |
| Grade 8 / E | -2.6% |
| Grade 7 / F | -1.2% |
| Grade 6 / G | 0.7% |
| Grade 4 / H | sample too small |

Table 17: British Council ethnicity 'median' equal pay gaps 2018/19

