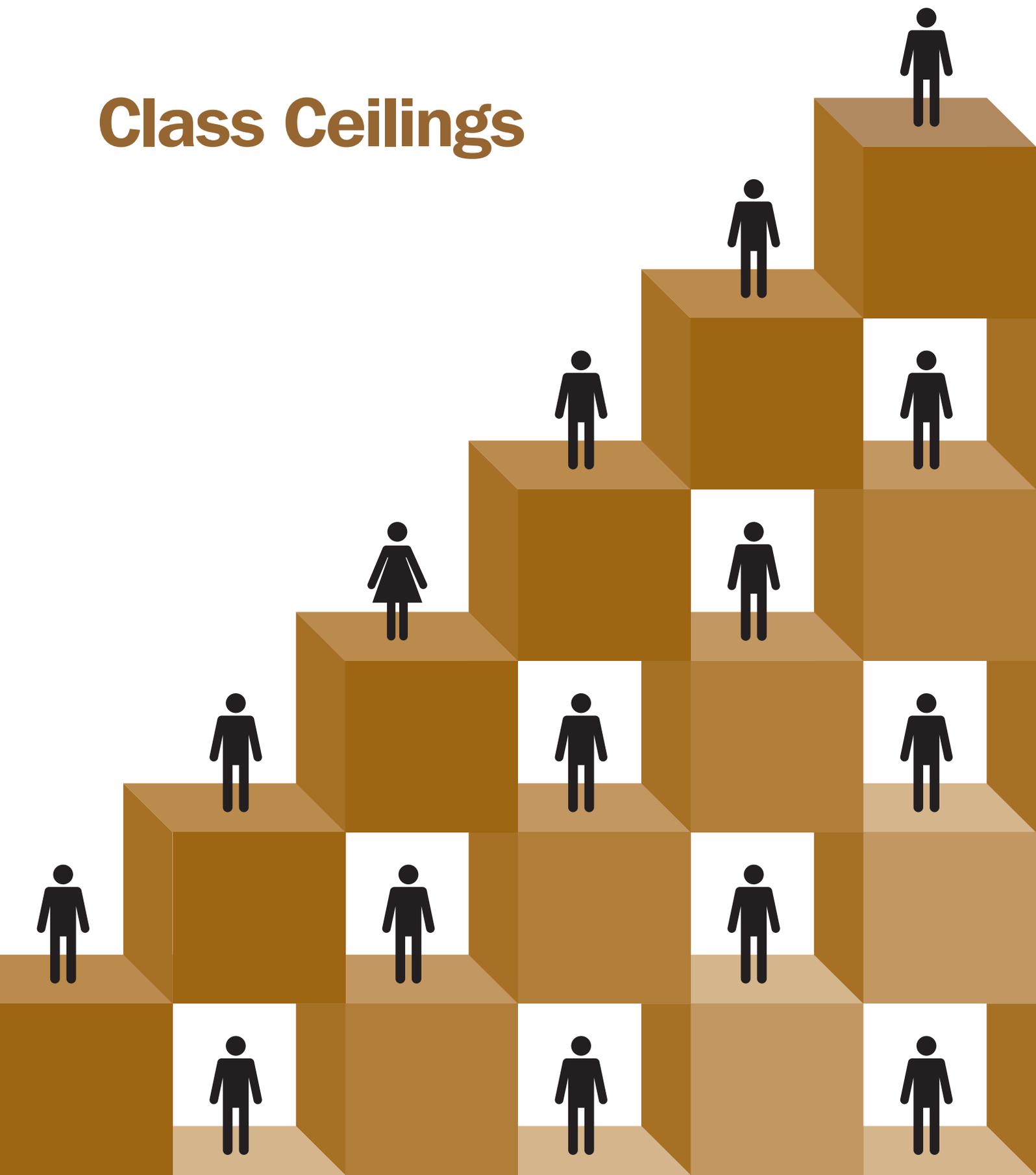


Class Ceilings



What's Class Got to Do with It?

Upper class. Working class. Downton Abbey. Shameless. There's no escaping it, we Brits are obsessed with the issue of class. We worry about the influence of old Etonians in the corridors of Whitehall and the equality of sport given how many of the Team GB medalists in the 2012 Olympics were from public school backgrounds.

But class in company boardrooms is rarely discussed, at least not openly. Commentary around social equality in business has traditionally focused on issues of race and gender, although in recent years there has been some scrutiny of opportunities such as internships that seem to favour the middle classes.

That's why Equal Approach decided to produce this report. We wanted to look at the backgrounds of those holding senior executive positions in the FTSE 100 in order to find out just how equal Britain's boardrooms are. But we wanted to look beyond the traditional factors and consider class.

There is no agreed definition of class or measurement to determine which class an individual falls into, so we decided to use schooling as a proxy for class. How many of Britain's most senior executives started life at a local comprehensive? How many of them were privately educated and moved from school to university to power?

Equal Approach aims to make diversity a commercially successful reality for UK businesses. That means we need to know how far we've come as well as how far we still have to go. This report offers an analysis of our research findings, as well as recommendations on what companies, schools and universities can do to ensure the very best talent gets to the top of business, regardless of background.

Headline Figures¹

- 1** **45.2%** of FTSE 100 Chairs and CEOs were privately educated, compared with **7%** for society as a whole.
- 2** Looking at Chairs alone, exactly **half** were privately educated. For CEOs that figure is **39.7%**.
- 3** Of those on the list who were privately educated, **19.7%** attended one of the Clarendon schools – a group generally regarded to be the 'top' public schools in the country.
- 4** **28.1%** went to either Oxford or Cambridge University, of whom **63.2%** were privately educated.
- 5** Including the Oxbridge figure, **52.6%** of the list attended a Russell Group university – a group of 24 universities regarded as being 'best in class' in terms of research and teaching quality.
- 6** Bucking the trend, no senior bank executives were privately educated in the UK. But in the media industry, **57.1%** went to private school and **42.9%** went to just one university, Cambridge.

1. For the purposes of this report, our findings for the FTSE 100 refer to companies with UK-educated Chairs and/or CEOs. See Methodology for more details.

Still an Old Boys' World?

Education

Schooling

The fact that **almost half (45.2%) of FTSE 100 senior executives were privately educated** is a staggering statistic, particularly given that just 7% of the national population goes to private school.² This proportion is especially remarkable when we consider that average fees for private schools are £9,204 per term (boarding) and £4,051 per term (day),³ so are clearly not an option open to many.

In fact, if we look at the academic year the average CEO was finishing school (1977-78), the proportion of people privately educated then was even lower than it is now, at just 5.7%.⁴

Encouragingly, the figures represent a **slow decline in the number of FTSE 100 senior executives who were privately educated**. A previous study by The Sutton Trust in 2007 suggested that 54% of FTSE 100 CEOs were privately educated. Our study shows that a far lower proportion of CEOs were privately educated: 39.7%. This suggests a significant drop – of about 14% – in just six years. This may be due to the efforts universities have been making over the past few decades to encourage state educated pupils to apply, and to provide support such as interview training. In addition, increased scrutiny of the make-up of boards may have led to a more varied recruitment pool.

University

It is perhaps unsurprising that well over half of the group (52.6%) attended one of the Russell Group universities. This indicates that those **universities traditionally viewed as more academic and prestigious are still dominating the top positions in UK plc**.

2. House of Commons Library

3. Independent Schools Council Annual Census 2013

4. House of Commons Library

Of more concern is the fact that 28.1% attended either Oxford or Cambridge University. To have **just two universities providing more than a quarter of people in senior positions** in the country's top businesses seems an extraordinarily high proportion, especially when we consider the variety of world-class universities there are in the UK. Take into account the fact that 63.2% of this group was privately educated, and we see how much influence public schooling has in our biggest businesses. It calls into question whether this creates an 'alumni network' in which decisions are made behind closed doors or at external events, or leads to an unconscious bias when recruiting.

Sector

Contradicting the popular notion that top bankers are privately educated, when looking at the sectors represented in the FTSE 100 it is perhaps surprising that **none of the leaders of the biggest banks were privately educated in the UK**. Banking is clearly a sector where state educated people do well.

Conversely, **in the oil & gas industry, whether in production or equipment & services, 60% of the top posts went to private school**.

Similarly **in the media industry the proportion of senior executives who were privately educated is far above the average** for the list as a whole: 57.1% went to private school, which is four out of seven. In addition, Cambridge University is particularly well-represented in this sector: 42.9% of senior media company executives went there.

These findings suggest that banks are leading the way in recruiting from a wider spectrum of people than might be expected, while media and oil & gas companies need to do more to address the imbalance at the top.

Gender

Looking at just the individuals educated in the UK, it is striking that **there are only three females on the whole list**. Two of these are CEOs, at Imperial Tobacco and easyJet, with just one female Chair, at Land Securities.

Much has been said about the poor representation of women in the boardroom, but it is interesting that while the percentage of women in these top posts is very low, they do buck the trend in some ways. Although two out of three were privately educated, much higher than the average of 45.2%, only one went to a Russell Group university. Interestingly, the woman who attended the Russell Group university was the only one who did not go to a private school, although she was educated at a grammar school.

Age

The average age of a CEO on the list is 53, and of a Chair is 64. About 10% of the senior executives on the list are in the 40-49 age bracket; only 2% are aged 70 or over, all of whom are Chairs. Interestingly, the female CEOs on the list are younger than average at 47 and 51.

Married with Children



Over **79%** of people on the list are married – compared to a national average of **47%**.⁵

The vast majority have families, and those with children have on average **2.6** – well above the UK average of **1.7** dependent children.⁶

North of the Border

13.3% of people on the list went to a Scottish university.



Extra-curricular Activities

Golf is the most popular hobby – more than one fifth of individuals name it as a preferred pastime.

Other popular hobbies include opera, theatre, ballet, ski-ing, tennis, rugby, horse-riding and sailing.

Good Schools Guide

Private schools which make most appearances on the list include Eton, Harrow, Rugby and Marlborough.

State grammar schools also feature highly on the list: **23%** of those on the list were educated at one.

5. Census 2011

6. ONS 'Family Size in 2012', 25 March 2013

Route to the Top



Getting to the Top of the Class

Our research demonstrates that class issues persist within the boardroom of many of the largest UK businesses, albeit at a diminishing rate. It is perhaps surprising that the extent of the issue is still so prevalent in our ‘modern world’. Understanding the issue is key to beginning to resolve it – a goal that is desirable so that the very best talent gets to the top of business, regardless of background or social class.

There is a wealth of commercial benefit that diversity, whether of class, gender, race or anything else, brings to organisations. By having decision makers who are reflective of a broader audience base, companies can improve their products and services, thus increasing sales and market share. By improving brand reputation and becoming recognised as genuine equal opportunities employers, firms can reduce staff turnover and rates of absenteeism, as well as reducing their recruitment costs. Diversity helps firms manage the impact of globalisation and technological change, and enhances creativity and innovation from the boardroom to the cashier’s desk. But increasing diversity is not only good for business, it’s also the right thing to do.

The problem of an imbalance in class at the senior levels of UK plc. stems from two main areas: provision and selection. Firstly, it is absolutely right that companies want to select the brightest talent from the best universities. However, while there is a well-established route from private school to Oxford, Cambridge or other Russell Group universities, the route from schools in poorer areas is less clear and certainly not as well-trodden. Universities, and a number of private schools such as St Paul’s in London, run initiatives to increase social mobility and help ensure our country’s brightest talent gets the opportunity to enter the best universities and rise to the top of business. Business, however, can do more in this area.

When it comes to selection, senior executives act in the same way as the majority of us; they are drawn to what is familiar and therefore recruit people in their own image. This is known as the horns and halo effect, whereby selection choices are made on the basis of what feels familiar – such as shared interests and backgrounds – which in our study is exemplified by schooling backgrounds. This inherent bias in behaviour is made more acute given that many appointments for Chairs and CEOs are chosen via networks and recommendations, rather than through formal advertisements. The issue is entrenched given that individuals are often headhunted from organisations that suffer the same recruitment bias. Therefore the results of the search for a new Chair or CEO lack diversity, as the networks drawn upon are narrow.

First Steps

Starting points for companies to consider in order to bring greater diversity to the boardroom can be split into two approaches. The first is to broaden the range of people senior executives are familiar with in order to dilute or remove bias. The second is ensure that the panel of people who choose senior executives are themselves a diverse group of people and therefore, collectively, without particular bias.

Five Key Measures for Companies to Follow

- **Make a commitment to changing behaviour.** This is best done by demonstrating and understanding that there is value and commercial impact to decisions; that talent from a range of backgrounds generates better decision making than a group of executives from similar backgrounds. As a starting point, companies should look at the Government's Business Compact, which aims to ensure all young people have fair and open access to employment opportunities.
- Consider the **method through which employees are recruited.** Companies need to ensure that all roles are exposed to diverse pools of talent; simply posting a job externally is not enough. Vacancies, especially at senior levels, are too often filled through networking and personal recommendation, rather than being advertised publicly.
- **Refresh the hiring panel** to be reflective of all areas of class and diversity. This will dilute bias.
- Offer **executive secondments to individuals outside of the sector.** Not only will this maximise transferable skills but it will also broaden the frames of reference from which senior executives derive their bias.
- Make **senior directors and those in charge of recruitment aware of their own bias through training.** This could be undertaken in partnership with a specialist diversity organisation or by an occupational psychologist. Through bias assessment, executives will realise what true bias is and how it can be removed through exposure to different perceived classes. This will help ensure that they are not unintentionally looking for traits that are predominantly found in privately educated applicants and thereby discounting those with state school backgrounds who may be as or more appropriate for the position.

All the above are practical ways to generate a better selection process and get away from the inherent bias that ensures people from higher social classes are statistically overweight in UK boardrooms. They would make a good start for all companies.

A New Approach

However, there are firms that are already taking a much longer-term look at the issue of how to attract outstanding talent from diverse backgrounds, for instance through Equal Approach's scholarship programme. These programmes are supported by employers and developed in line with Ofsted guidelines.

They engage with diverse children as young as four or five years old to expose them to different industries and sectors. This increases their ambition and understanding of the breadth of opportunities available to them. Through follow-up programmes for the children at 11, 14 and then formal registration at 17 years old, the scholarships provide students with the support and encouragement they need during their studies, as well as paid work experience and the opportunity of a permanent job at the end of their studies.

Schools, Universities and Businesses in it Together

The onus is not all on employers. The bias starts at school, when students are influenced as to which universities to apply to, and continues at university level, when institutions show bias in the school leavers they give places to.

The Social Mobility and Child Poverty Commission Report said that “some of our leading universities in particular have a long way to go: they have become more, not less, socially unrepresentative over time.”

The target should be for a more representative breakdown: 7% of CEOs and Chairs coming from independent education, for instance.

What Needs to Change to Make the Ultimate Picture in the FTSE 100 Different?

- **Instil ambition early:** state primary and secondary schools should work with CEOs on mentoring schemes.
- **Schools need to ensure they comply with and build on the Careers Guidance in Schools Regulations 2013:** schools could consider CV tutorials and coaching in Oxbridge applications for those students who aspire to go there.
- **Ensure equal encouragement across all subjects:** schools, and universities, must make sure that all subjects are equally accessible to students with the interest and talent to progress in them, regardless of class, gender, race or anything else.
- **Move away from work experience as a tick-box exercise:** if students are helped to find serious placements they will be motivated to realise their ambitions.
- **Universities need to do more to encourage state school students with the right grades to apply:** research quoted in the Social Mobility and Child Poverty Commission Report suggests state school pupils need to be the equivalent of two grades better qualified than privately educated pupils to be as likely to apply to Russell Group universities.
- **Realise that just getting employed by a FTSE 100 company is the start of the journey, not its completion:** FTSE 100 companies must do more to encourage graduate trainees through to middle managers to progress by actively encouraging state-educated employees to be mentored and coached by those more senior than them.
- **Be loud and proud about your beginnings:** where a top executive in a high-profile company has a state school background, they should look to publicise that fact, to inspire younger generations.

Methodology

- Research was conducted using a FTSE 100 list correct as of 10 June 2013 and individuals current in the CEO and Chair positions over the research period, which ran from 10 June – 21 August 2013.
- The final sample comprises only those senior executives educated within the United Kingdom and Great Britain for secondary school, up to a minimum age of 16. This sample comprises 135 individuals, including duplicate entries. It excludes those senior executives educated abroad for secondary school.
- The schooling background of 16 individuals from this sample could not be obtained, giving a completion rate of 88.1% for attendant statistics.
- Duplicate entries, for instance where a Chair heads multiple companies, are included to give a comprehensive account of boardroom diversity in UK plc.
- All figures are based on the school and university backgrounds of these individuals, gathered from official public sources such as 'Who's Who' or from private responses from the individual organisations.
- Where information was gathered using public sources such as company websites, Equal Approach are not responsible for the accuracy of data included.
- For the purposes of the report, we classified any school which required fees at the time the individual in question attended as 'private'.

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Equal Approach are proud to do things differently and will make diversity a commercially successful reality for our candidates and clients.

We are an accredited diverse talent specialist, working across a range of diverse strands including disability, gender, sexual orientation, race, religion, generational, transgender, obesity, education, working parents and carers and class. We are proud to practice what we preach, with 65% of our workforce having a disability or health condition and our team represents all of the strands of diversity.

We are the diversity solutions provider of choice across the private and public sector, covering areas within; Banking, Clinical & Healthcare, Finance, Professional Services, Retail, Technology, Utilities and Welfare to Work & Lifelong Learning.