Who gets ahead and how?

Socio-economic background and career progression in financial services: a study of eight organisations.

Contents

Preface

This research has been undertaken by the Bridge Group, funded by the City of London Corporation and eight participating financial services organisations. The Bridge Group is wholly independent of these organisations.

REGULATORS
Bank of England
Financial Conduct Authority
Payments Systems Regulator

FINANCIAL FIRMS
BlackRock
First Sentier Investors
Legal & General Investment Management
Santander
Anonymous

This research has only been possible because of the quantitative and interview data that these organisations have contributed. We have collated quantitative data on socio-economic background from 7,780 employees. Progression data and Qualitative data from 102 interviewees also informs the report provided from the majority of the organisations.

This is a part of a series of Bridge Group reports providing a sector-by-sector assessment of socio-economic diversity.

Foreword

John Glen MP
Economic Secretary to the Treasury and City Minister

As Economic Secretary, I want to see a strong and competitive financial services sector. Ensuring that people from all backgrounds have the opportunity to reach their full potential is crucial to enabling the financial services sector to deal with the opportunities and challenges ahead.

I welcome this report by the Bridge Group, which contains new insights into how socio-economic background can affect progression in financial services. I hope that firms across the sector will find this new data useful in considering how to boost socio-economic diversity in their own organisations.

To address the disparities in progression discussed in this report, HM Treasury and the Department for Business, Energy and Industrial Strategy have commissioned City of London Corporation to launch a taskforce to boost socio-economic diversity at senior levels in UK financial and professional services. I hope employers will embrace this opportunity to take action and ensure that all talented people have the opportunity to succeed, and I look forward to seeing the taskforce make progress.

Catherine McGuinness
Policy Chair of the City of London Corporation

Few would question that in financial services, as any other field, if you are talented, and work hard, you deserve to succeed. The sector has made huge strides in addressing its 'old boys' club' reputation of the past. But as this research shows, there is much more to do. This report is a powerful wake-up call. If, as a sector and as a nation, we want to maximise productivity, boost our economy, and ultimately create jobs, we must take a long hard look at who 'gets ahead' and how. To be globally competitive, we must be led by performance, and not just polish.

Employers have never been more focused in their efforts to reach out to local schools, build up a talent pipeline and create fairer recruitment practices. They are supported in this by many excellent charities and organisations. Where there is a gap, however, is in retention and progression. I am delighted to be working with Government to lead a new taskforce to boost socio-economic diversity at senior levels across UK financial and professional services.

As we work to eliminate the systemic inequalities exposed by Covid-19 and Black Lives Matter, and navigate the Brexit transition, it has never been more important to build trust and to draw on a wide range of perspectives and talent.

With many thanks to the Bridge Group and the eight employers who contributed to this important work.

Nik Miller
Chief Executive of the Bridge Group

This is the first study internationally in financial services to investigate, in depth, the possible relationship between socio-economic background, progression and productivity – using both quantitative and qualitative evidence. In partnership with eight pioneering financial services organisations (including the sector's regulators), we explore the link between socio-economic background and career progression. Terminology can sometimes be challenging to navigate. To help with this, we have provided a summary of terms and guidance on language at the end of the report.

We know from earlier research that financial services has the largest pay gap by socio-economic background (when we control for e.g. educational background, gender and occupational area). This research adds new insights, taking an in-depth look at who gets ahead and how, and exploring implications for individual and organisational productivity. This is explored through quantitative data on the diversity and career progression routes of 7,780 employees, and through data captured in 102 interviews with mid-level and senior level employees.

We are cautious not to extrapolate findings from this study and apply them across the sector (and note that three of the participating organisations are public sector regulators). However, the evidence in this report serves to stimulate action among the participating organisations, and we commend their involvement and appetite for evidence.

We also hope that this research will inspire others across the sector to do the same. The recommendations are informed by these new findings, and also draw on the Bridge Group's extensive research across other professional services including law and accountancy.

Executive Summary

Is there a link between socio-economic background – the circumstances in which an individual grows up – career progression and job performance in the financial services sector?

How far is career progression led by socio-economic factors like family connections, shared exclusive cultural and social experiences, versus job performance? And what are the implications for individual and organisational performance and productivity? Who gets ahead and how?

The financial services sector is deeply important to the UK, contributing over £132bn annually to UK GDP.

As we navigate a second wave of the Covid-19 pandemic, as well as the Brexit transition, now is the time to maximise productivity and seek innovative solutions from a broad range of viewpoints.

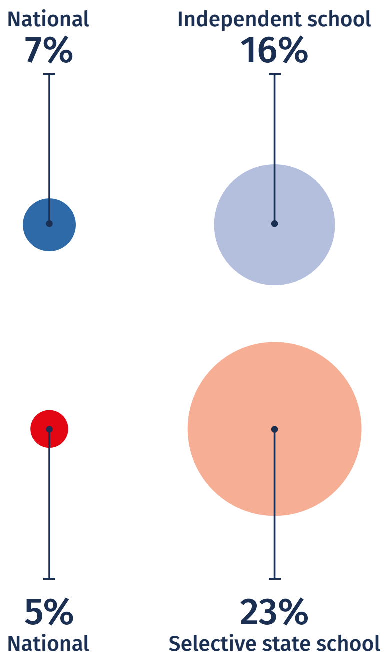
Taking a deep dive with eight employers (three regulators and five financial services firms), analysing nearly 8,000 survey responses and over 100 interviews, this study finds a lack of diversity by socio-economic background[1] especially at senior levels.

- Akin to research in the legal sector,[2] employees from lower socio-economic backgrounds take longer to progress through grades, despite finding no statistical evidence to link this with job performance.
- In the context of the Black Lives Matter movement, the study finds that diversity characteristics e.g. socio-economic background, gender and ethnicity combine to create multiple layers of inequality.
- There is a perception amongst interviewees that career progression is often based on attributes disconnected from job performance.
- Interviewees from lower socio-economic backgrounds describe efforts to fit into the dominant culture and expressed feelings of exclusion. These efforts are typically felt to distract from job performance – creating consequences for individual and organisational productivity.
- In response, this research calls for a greater focus on 'equity of progression' and socio-economic diversity at senior levels, through: cross-sector collaboration (building on client relationships); increased measurement; accountable leadership; and a commitment to fixing processes not people.

1 As defined by parental occupation and school type attended – see methodology

2 https://www.thebridgegroup.org.uk/news/partner-law

16% of the survey respondents attended an independent school – over double the national figure of 7%. 23% attended a selective state school – versus the national figure of 5%.



In aggregate, respondents across all firms are unrepresentative by socio-economic background.

51% of respondents at all levels of seniority are from a higher socio-economic background (as defined by parental occupation). This compares with 33% of the economy-wide working population across the UK. These proportions vary significantly by organisation – from 39% to 71%. In considering school type, 16% of the survey respondents attended an independent school – over double the national figure of 7%. 23% attended a selective state school – versus the national figure of 5%.

While much effort is taking place to diversify 'access' to the sector, socio-economic diversity appears to be lacking even at junior levels, and acutely lacking in more senior levels.

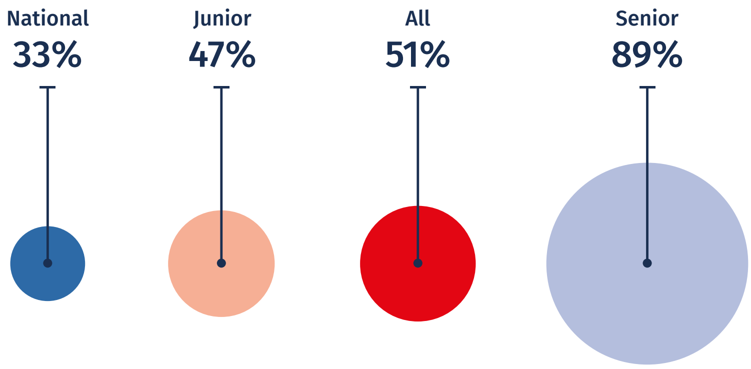
Among junior employees 47% are from a higher socio-economic background by parental occupation; and 11% were educated at an independent school. For senior level employees (senior manager and above), this rises to 89% and 25% respectively.

Diversity characteristics such as gender and ethnic group can combine to create multiple layers of inequality.

Across all organisations, White employees are almost twice as likely to have attended an independent school compared with Black employees, and male employees are almost a third more likely to have attended an independent school than female employees. Nearly half (43%) of senior roles are occupied by White males who attended an independent or selective state school.

Boosting socio-economic diversity at junior levels will not automatically lead to greater diversity at the top.

Employees from lower socio-economic backgrounds are found to take 25% longer to progress through grades. There is a 'progression gap' between peers from lower and higher socio-economic backgrounds (defined by parental education). This increases to 32% when considering those from lower socio-economic backgrounds who also identify as Black.



89% of senior level respondents are from a higher socio-economic background by parental occupation.

> *There's an unspoken culture of networks in operation when it comes to jobs. That's the point where biases kick in.*

This 'progression gap' cannot be explained here by performance: there is no statistical evidence to link performance with socio-economic background.

This contrasts with previous Bridge Group research in other professional service areas, including in law – where graduate trainees educated at state schools are 75% more likely to feature in the top decile of performers than those educated at independent schools. For legal sector trainees, however, socio-economic background is more consistently collected, and performance data is more widely distributed across employees.

We find that progression can often be influenced by attributes that have little or no correlation with job performance.

Interviewees highlighted that 'middle-class' attributes such as 'polish' and narrow definitions of 'cleverness' (often rooted in exclusive socio-cultural references or educational experiences) are at times conflated with perceptions of talent. This can be exacerbated by the effects of senior sponsorship, and opaque promotion and project allocation processes. Client requirements (or perceived requirements) and expectations are also often considered to be instrumental in determining who gets ahead.

Importantly, those from lower socio-economic backgrounds frequently expressed that they expend energy in assimilating to dominant higher socio-economic cultures.

These efforts are typically felt to distract from job performance, and are characterised as exhausting experiences. There are common themes around the need to 'over perform' and a feeling of 'exclusion'.

The findings above have serious implications for individual and organisational productivity, and wellbeing.

As the economic effects of Covid-19 take hold more intensely in the coming months, supporting employee wellbeing, maximising performance and productivity, and fostering public trust in our financial organisations will be vital – to securing the systematic stability of financial services, and to the stability of the economy. Who gets ahead in these organisations, and the extent to which those from lower socio-economic backgrounds are excluded, will play a vital role in shaping these perceptions and advancing productivity in challenging times.

This research calls for a greater focus on 'equity of progression' and socio-economic diversity at senior levels.

Recommendation 1

Encourage and engage in cross-sector collaboration and accountability

Firms across sectors are grappling with these issues – as highlighted in our wider research. Sharing best practice with peers and clients, collaborating on initiatives, and learning from other sectors will be an efficient way of boosting performance on this agenda.

Collaboration is key. For example, in Law and Accountancy, peers collaborate to work on socio-economic diversity together – collating and benchmarking data, sharing effective practice and navigating the range of organisations that provide insights and support in this area. There is no equivalent group in the financial services sector.

Recommendation 2

Collect and analyse workforce data and explore how government, regulators and sector bodies can encourage and support this

With larger datasets in other sectors, it has been possible to assess progression rates by combining multiple demographic variables (e.g. ethnic group, gender and socio-economic background) to determine the relative effect of each. As more financial services organisations understand the importance of collecting, analysing and sharing this data, further progression and productivity analysis will be possible. The Social Mobility Commission has a 'Data Kit' which can help employers to compare progress against national and industry benchmarks. The Social Mobility Employer Index can help employers to measure progress year on year.

Unlike many other sectors, including in broadcasting, law and accountancy, financial services employers are not currently asked for socio-economic diversity statistics by their regulators (though we note important differences between these sectors, including the mandates of the respective regulators). Consideration should be given to incentivising data collection within financial services e.g. by government, regulators and sector bodies.

Recommendation 3

Embed socio-economic diversity and inclusion in leadership responsibilities and performance review processes, and cascade through all levels of seniority

Senior leaders are critical in creating inclusive working cultures and promoting equity of progression. Efforts to create more inclusive (and thereby more productive) working environments cannot be achieved through a portfolio of discrete programmes, initiatives and communications – and it cannot be the preserve of HR teams.

Embedding socio-economic diversity and inclusion within responsibilities and performance review processes (for leaders and middle managers), as well as providing adequate resources, will maximise the impact of existing and often discrete initiatives. This is clearly challenging without an agreed definition of socio-economic background, although guidance is provided by the Social Mobility Commission and the Bridge Group.

Recommendation 4

Fix processes not people – review and reform dominant cultures and opaque processes

Putting a premium on specific traits e.g. confidence and visibility, or socially exclusive relationships with senior colleagues risks inadvertently penalising groups of employees. Organisations should review processes for work allocation, and recruitment and promotion, to ensure transparent and formalised procedures, particularly with regard to senior sponsorship. Practical guidance on this is available from the Bridge Group and in its 'Employer Toolkit' developed for the Social Mobility Commission. The Commission are releasing a new toolkit specifically for financial and professional services firms.

This research takes a deep dive with eight employers (three regulators and five financial services firms) and does not aim to be representative of an entire sector. It does, however, provide a benchmark and a set of recommendations – intended to engage and inspire the wider financial services sector (and clients across the economy).

Evidence

The financial services sector is deeply important to the UK, contributing more than £132 billion annually to UK GDP.

The sector contributes over 10% of total tax receipts. Exports of UK financial services are worth over £60 billion annually. Almost half (49%) of the sector's outputs are generated in London, but the sector is UK wide, with two thirds of employees based outside of London. Financial services jobs have the second highest level of productivity, twice as high as the whole-economy average in terms of output per-job. The sector has been relatively resilient during these challenging times, with one of the lowest furlough rates across the economy.

Many of those working in the sector shape the investment of personal and business assets, how wealth is managed, and wider societal values relating to the ownership of capital. As we enter the impacts of the second wave of the pandemic, and in the context of the Brexit transition, now is the time to maximise productivity and seek innovative solutions from a broad range of viewpoints.

This research does not aim to be representative of an entire sector. It does, however, provide a benchmark and a set of recommendations – intended to engage and inspire the wider financial services sector (and clients across the economy).

Taking a deep dive with eight employers (three regulators and five financial services firms) this research explores who 'gets ahead' and how, and whether there are implications for individual and organisational performance and productivity.

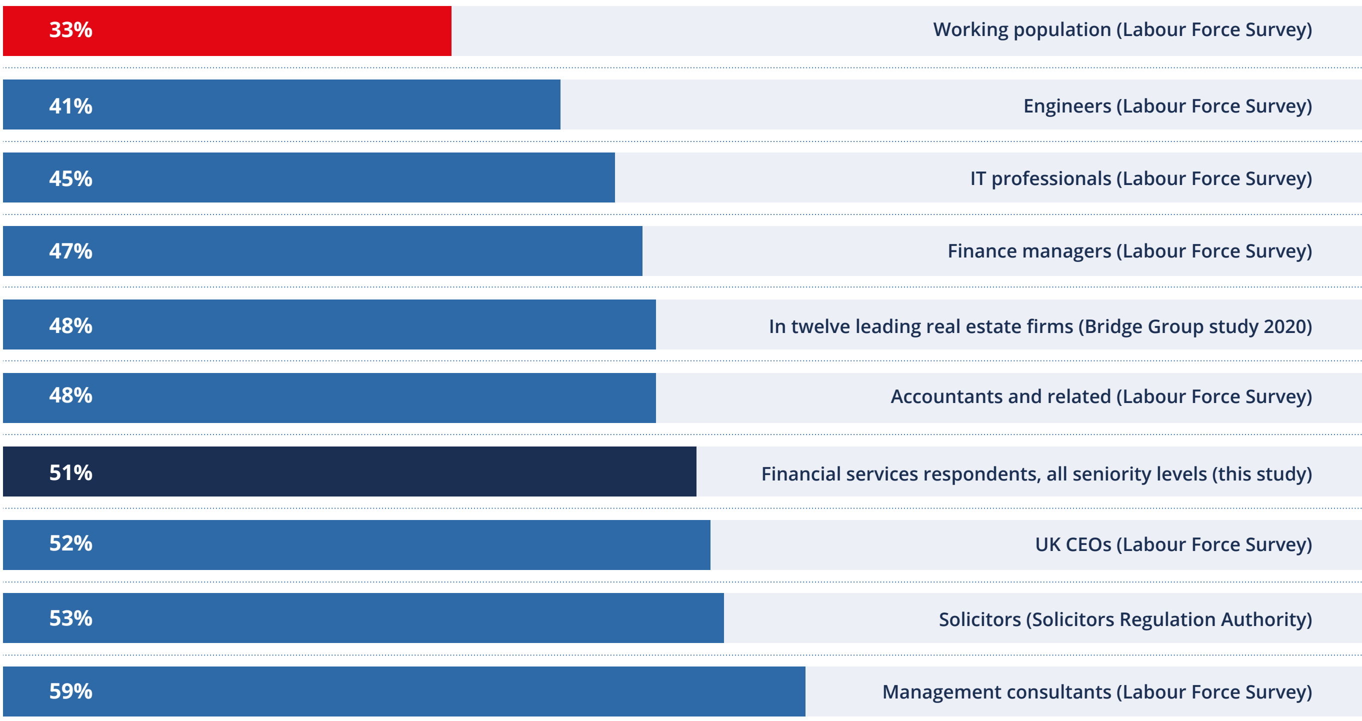
We know from previous research that financial services has the highest class pay gap, and that it is four times larger than the IT sector. This is an important indicator, but in financial services, this pay gap can be explained by differences in occupation (front versus back office), region, division (investment versus retail banking) – as much as it can by seniority. This study aims to complement existing research by taking a detailed look at progression, to explore its link with socio-economic background and job performance.

In other sectors, job performance and career progression are found to be linked with socio-economic background. For example – in seven law firms, the Bridge Group found that graduate trainees educated at state schools are 75% more likely to feature in the top decile of performers than those educated at independent schools. This clearly has consequences for productivity and organisational performance. This research aims to replicate that work, to explore whether in eight financial services employers, there is a link between socio-economic background, job performance and career progression.

An analysis of 7,780 survey responses across the organisations shows that, in aggregate, employees are unrepresentative by socio-economic background.

51% of respondents in total are from a higher socio-economic background (as defined by parental occupation – see methodology for further detail). This compares with 33% of the UK's economy-wide working population. This proportion is also higher compared with most elite professions in the UK.

Figure 1: Proportion of respondents from higher socio-economic backgrounds (as defined by parental occupation) across participating organisations – comparator data available UK Labour Force Data and www.thebridgegroup.org.uk/research.

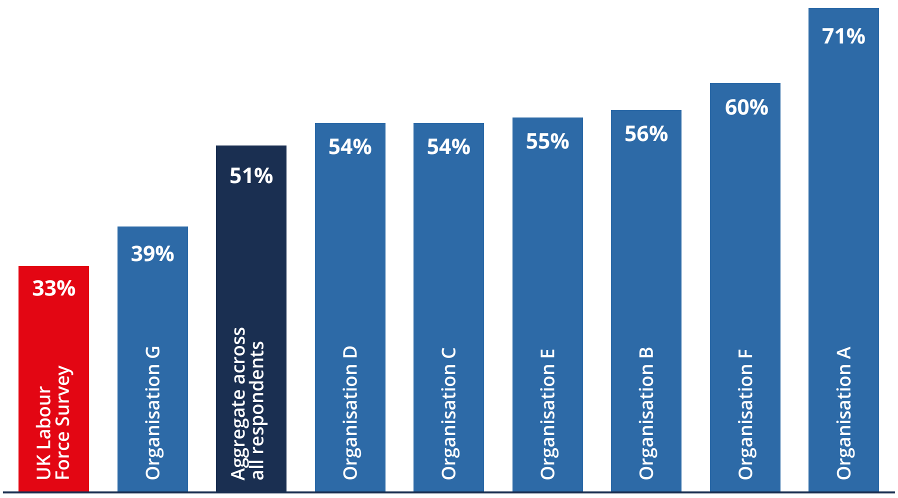


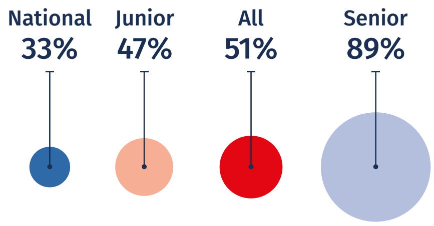
These proportions vary significantly by organisation. For example, the proportion of respondents from a higher socio-economic background based on parental occupation ranges by participating organisation from 39% to 71% – illustrated in Figure 2.

Focusing on school type, 38% of the survey respondents across the participating organisations attended an independent or selective state school (15.5% and 22.9% respectively). This compares with 12% nationally (7.2% and 4.7% respectively).

> *You have to do some mandatory training so we tick some of the boxes to show we are a good organisation, but I think diversity gets pushed down the agenda because of other priorities. Some people just don't get it because it's never been an issue for them. The different networks compete for air space when there should be collaboration between the different diversity strands.*

Figure 2: Proportion of respondents from higher socio-economic backgrounds (as defined by parental occupation) by participating organisation – with the national benchmark.





89% of senior level respondents are from a higher socio-economic background by parental occupation.

While much effort is taking place to diversify 'access' to the sector, socio-economic diversity among respondents is lacking even at junior levels, and is acutely lacking in more senior roles.

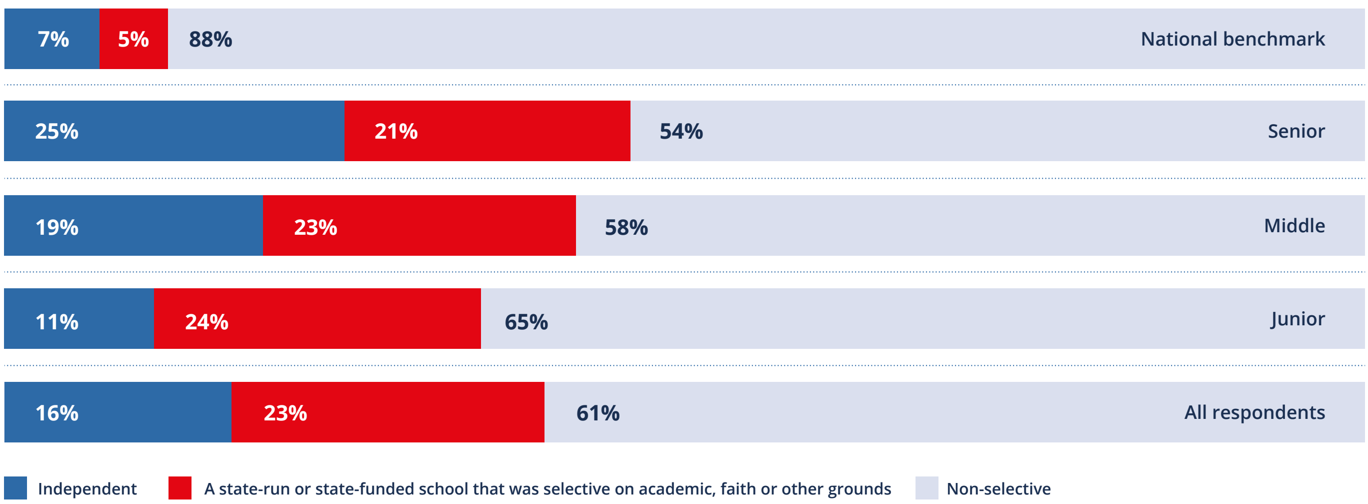
Previous research shows that access to roles is limited by socio-economic background – and this is especially acute in investment banking. This is mainly because of perceptions among young people, organisations' approaches to attraction and hiring, dominant cultures, and the concentration of roles in central London. There are welcome efforts taking place within the sector and by sector bodies to address this.[3]

We worked with all participating organisations to define three tiers of seniority, based on mapping occupational descriptions between them. The aggregate distribution of the 7,780 survey respondents by seniority is: 11% senior, 63% middle and 26% junior. There is little variation in this distribution between organisations. Senior employees are defined as senior manager and above (see methodology for further detail).

Those occupying junior roles are more diverse by socio-economic background compared with senior levels, but this population is still lacking in diversity against relevant benchmarks. 11% attended an independent school and 24% attended a selective state school (total 35%), compared with the national population of 7.2% and 4.7% respectively (total 12%). 47% are from a higher socio-economic background by parental occupation. This compares with 33% of the economy-wide working population across the UK.

In considering senior employees: 89.2% are from a higher socio-economic background by parental occupation; and 25% were educated at an independent school (illustrated below).

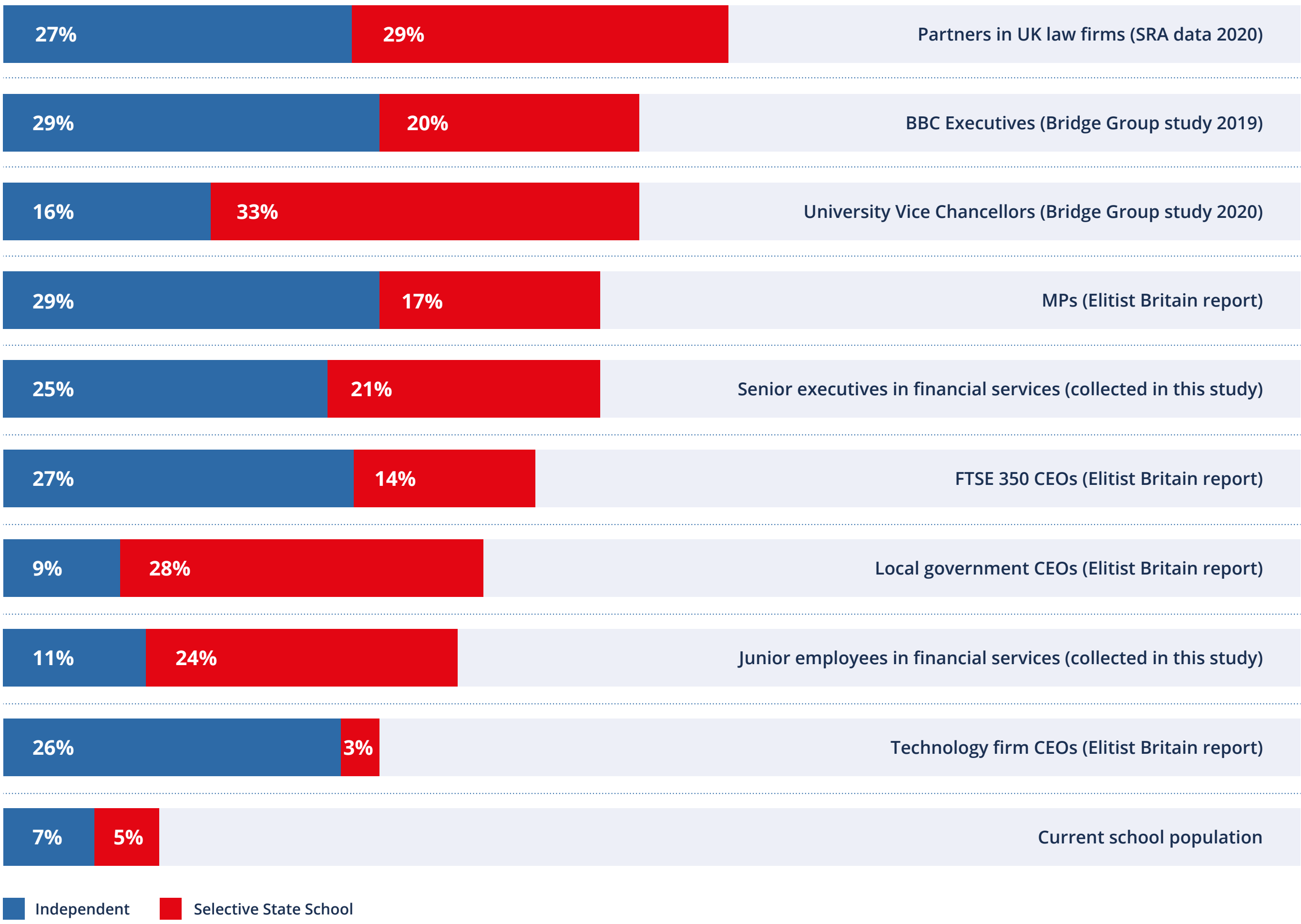
Figure 3: Proportion of respondents by socio-economic background (as defined by school type) and level of seniority, including a national benchmark.



3 See the full literature and practice review here for further information

In considering how these employers compare against other sectors, the 'school type' metric offers the most wide-ranging analysis. The figure below compares the proportion of senior respondents educated at independent school with other relevant benchmarks (based on Bridge Group and wider research – sources for comparator data available here and here).

Figure 4: Proportion of senior respondents by socio-economic background (as defined by school type) compared with other sectors, SRA = Solicitors Regulation Authority. Elitist Britain report.



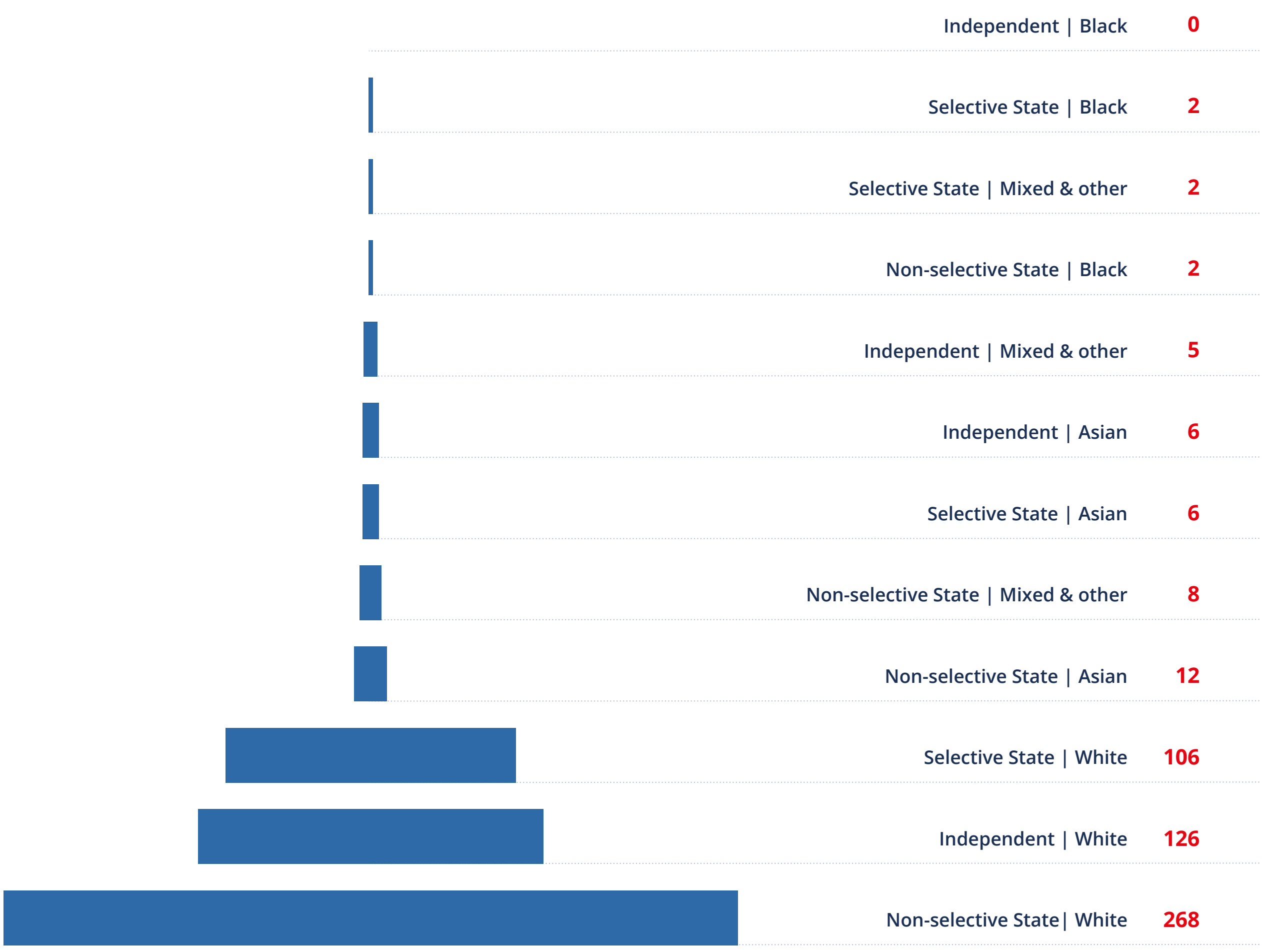
Diversity characteristics can combine to create multiple layers of inequality.

Given the inequalities exposed by Covid-19 and Black Lives Matter, it is important to review the intersections that exist between characteristics. Previous research shows that in elite professions like finance, there are significant pay gaps for certain ethnic groups i.e. Pakistani and Black British people, and women. Characteristics add layers of disadvantage – for example, Black British individuals from lower socio-economic backgrounds earn less than their Black peers from higher socio-economic backgrounds.

Across all employers, White employees are two thirds more likely to have attended an independent school than Black employees (19% and 8% respectively), and male employees are almost a third more likely to have attended an independent school than female employees (18% and 13% respectively).

When we look at who 'gets ahead', nearly half (43%) of senior roles are occupied by White males from independent or state selective schools (23% and 20% respectively), as illustrated in the diagram below.

Figure 5: Number of senior employees among respondents by socio-economic background (defined by school type) and ethnic group. Total responses 543 from those who identified as senior.



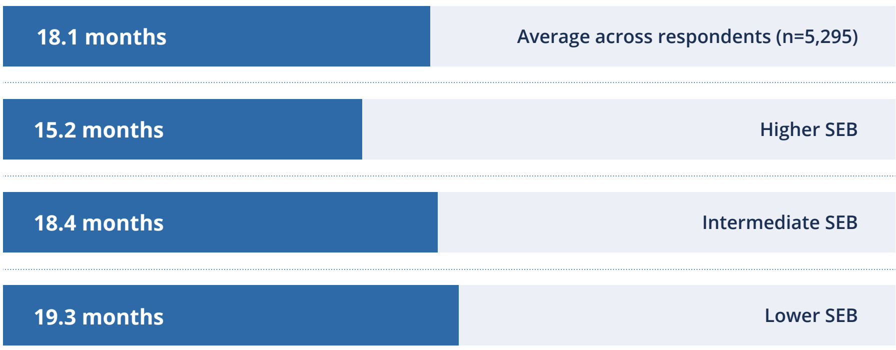
Boosting socio-economic diversity at junior levels will not automatically lead to greater diversity at the top. Respondents from lower socio-economic backgrounds take on average 25% longer to progress through grades.

The study finds a statistically significant relationship between progression rate and socio-economic background.

Respondents from lower socio-economic backgrounds take on average 25% longer to experience a promotion point compared with those from higher socio-economic backgrounds (as defined by parental occupation). The 'progression gap' increases to 32% when considering those from lower socio-economic backgrounds who also identify as Black.

This corresponds with Bridge Group research in other professions such as law, where those from lower socio-economic backgrounds are found to take a year and a half longer to reach Partner compared with colleagues from higher socio-economic backgrounds.

Figure 6: Average time in months to experience a promotion point by socio-economic background (SEB), by parental occupation.



This 'progression gap' cannot be explained here by differential performance. There is no statistical evidence to link performance with socio-economic background.

This contrasts with previous Bridge Group research in other professional service areas, including in law, where graduate trainees educated at state schools are 75% more likely to feature in the top decile of performers than those educated at independent schools.

Note there are challenges with this analysis here. Where participating organisations shared quantitative performance information, this data is distributed largely in a middle category. Most employees are rated as 'performing fine' (82% in the data), with a small proportion rated as performing outside of this middle group (i.e. remarkably well, or remarkably poorly). In this respect, identifying statistical relationships between performance and demographic characteristics is limited, and it is therefore unsurprising that no statistically significant correlation between socio-economic background and performance is found. This is in contrast with the legal sector, where data on the performance and socio-economic background of trainees is more consistently collected, and performance data is more widely distributed across employees.

The interviews highlighted that progression is often based on attributes that might have little or no correlation with job performance.

To explore progression routes, 102 in-depth interviews took place at the majority of the participating organisations. Interviewees feel that career progression is often based on attributes such as: visibility, long-established familial, school and university connections; shared 'exclusive' cultural and social experiences; and 'polish, gravitas and confidence'.

Interviewees typically recognise that socio-economic background may have an impact on progression but characterise this effect as secondary (as opposed to direct discrimination).

> *Sure, [my line manager and I] talk about cricket, we play golf, we go for drinks. He's sporty, I'm sporty. When you have nothing in common it's harder.*

Reflecting on who gets ahead and how, interviewees often identify that the attributes required to get ahead (including visibility, self-promotion, having socio-cultural connections with colleagues and clients, confidence, 'polish', mobilising networks, and securing senior sponsorship) are not neutral in relation to background; and are often more available to those from higher socio-economic backgrounds. Again, there were often comments that the significance of this is likely to vary by the area of financial services in which people work, and by organisation.

Interviewees commented that having a senior sponsor to endorse an individual and raise their profile is key (among colleagues and, where relevant, clients). Sponsors are responsible for boosting an individual's visibility and making sure they secure the right type of work to advance their career. High visibility leads to favourable work allocation which in turns increases visibility. Conversely, low visibility limits favourable work allocation, limiting scope to build visibility and/or secure informal sponsorship. There is a related view that sponsors are often more likely to sponsor someone who feels similar to them, and that this dynamic of sponsorship can therefore often disadvantage individuals from lower socio-economic groups.

Many talented people from lower socio-economic backgrounds are excelling in the participating organisations. However, they describe not always having the confidence or connections to build strategic relationships with senior colleagues (especially those who do not share a similar background to them). Others note how "middle-class" attributes such as "polish" and narrow definitions of "cleverness" (often rooted in exclusive socio-cultural references or educational experiences) are at times conflated with perceptions of talent, and not relevant to job performance – over time this has an accumulative disadvantaging effect for those from lower socio-economic backgrounds.

> *What you say only counts for one third [of getting ahead]. You need to be presentable and suitable.*

> *By the time people arrive at firms the damage has been done. Injustice starts from the day you are born; firms can't do everything.*

> *Socio-economic background does affect progression but not in a direct way. It's not as if the organisation does not want to progress people from certain backgrounds. Rather it's those internal barriers, the ones that are in people's minds. It's...the lack of social capital which may hold you back. I believe the organisation has a responsibility to support its employees and give them the tools, the training and the skills in order to attempt to level the playing field.*

Compounding this, interviews highlight that promotion processes can be opaque and exclusionary, and client requirements (or perceived requirements) are often instrumental in determining who gets ahead.

Building on this, interviewees reflect on the lack of transparency apparent in recruitment and promotion processes – with candidates often identified before roles are advertised.

Others express experience of a bias towards particular kinds of skills and qualifications, and which type of university these are awarded by. This perception of bias is often in the context of there being no evidence base for how these requirements correlate with job performance, but a strong sense that they do correlate strongly with socio-economic background. Those without degrees reflect on how this has, or is likely to, significantly limit their progression.

There is a contradiction in views about the extent to which client demands are motivating or working against diversity and inclusion. We hear how clients are increasingly requesting diversity in teams (typically relating to gender and ethnic group), but we also hear sensitivity about how clients (and especially in investment management) expect to meet the "right people" (which is often connected to socio-economic background, more than gender or ethnicity).

> *It's your experience that matters more. The fact that you studied at Corpus Christi does not matter in the slightest. When we are hiring non-executives or board members for the businesses that we own, what I am looking for is experience, personality and team fit. I don't look at universities, I don't care.*

“

We’d be chatting before a meeting and talking about what we got up to at the weekend. He’d go on about his gold taps that don’t work, or his wine cellar having problems, or issues with the kids at the private school. There’s a big gap...it’s affected my career. I’m certainly less confident than I used to be.

Most importantly, talented people from lower socio-economic backgrounds often express how they spend energy, that others do not, in assimilating to dominant cultures. This can have serious implications for individual and organisational productivity, and wellbeing.

Interviewees from lower socio-economic backgrounds describe efforts to fit into the dominant culture; and express feelings of exclusion, or lack of belonging. These efforts are typically felt to distract from job performance and are characterised as exhausting experiences.

Many of these narratives about assimilating to dominant working cultures are grounded in intersections between gender, ethnicity and socio-economic background. Most interviewees expressing these views explain that they do not believe colleagues are actively excluding them, but rather the dominant culture leaves them feeling “different” and unable to be themselves.

Interviewees indicate that this often requires those from lower socio-economic backgrounds to ‘over-perform’ or work harder compared with their more advantaged peers – and that they can often feel excluded. Talented people from lower socio-economic backgrounds waste significant time and energy assimilating to these dominant cultures, both within organisations and engaging externally with clients and suppliers.

As more organisations start to collect data on socio-economic background, it will be possible to assess the impact of this ‘over performance’ and ‘exclusion’ on sector-wide productivity.

“

There is a lot of joking around about my background that was tagged under ‘banter’ – about coming from a council estate or going to an ex-polytechnic university... I’m relatively thick-skinned. But there have been comments about my accent and how I pronounce words.

“

I don’t play golf. I can’t engage in all that stuff about second homes. And it’s not their fault either. It’s just their life. I feel intimidated by the conversation because I can’t contribute.

Remote working exposes inequalities and provides an opportunity to 'level the playing field'

Although the pandemic has put considerable financial pressure on some organisations, interviewees identify how this brings to light existing inequalities and makes organisations more aware of these issues. Research participants feel weekly chats and regular online team meetings have created a more inclusive environment. In this respect many feel the pandemic has levelled the playing field. Many hope that with more people working remotely, this will mean employers could recruit more diversely (in terms of geographical location and of people wanting to work flexibly, remotely, or with reduced hours).

> *I don't have an office at home. I just have no space for a desk so it's difficult to separate the boundaries between work and home. It's been very difficult. I have two children...looking after them and managing the job is almost impossible.*

> *We are all in the same boat, but not the same sea.*

Recommendations

"

The onus should be on the organisation, not the individual. That's what you need to do if you want to tap into the full potential of people.

"

D&I is often seen as a function of HR when it should be central to all leaders. Diversity needs to be central part of how we work not just an initiative on top of work.

"

Honestly, most leaders just pay lip service to diversity. They may have a genuine interest in the topic but... they are not actually doing much.

As the economic effects of Covid-19 take hold more intensely in the coming months, supporting employee wellbeing, maximising performance and productivity, and fostering public trust in our financial organisations will be vital. Who 'gets ahead' in these organisations, and the extent to which those from lower socio-economic backgrounds are excluded, will play a vital role in shaping these perceptions and advancing productivity in challenging times. Now is the time to support employees of all backgrounds to perform to their full potential.

This research indicates that without action, the modest increases in diversity at junior levels will not naturally result over time in greater overall diversity in financial services, nor among senior roles.

It is important for organisations to understand their data relative to others, and the implications of micro-cultures that exist within each organisation, or within each regional office or department. To complement this aggregated report, we have submitted bespoke analysis to each of the participating organisations, and strongly encourage each to develop an action plan in response to this. This action should then stimulate challenge to, and encouragement for, the rest of the sector.

In response to the findings above, this research calls for a greater focus on 'equity of progression' and socio-economic diversity at senior levels.

Recommendation 1

Encourage and engage in cross-sector collaboration and accountability.

Firms across sectors are grappling with these issues. Sharing best practice with peers and clients, collective efforts, and learning from other sectors will be an efficient way of boosting performance on this agenda.

People's decisions about who to promote, in many areas of financial services (and among many, but not all of the participating organisations), are driven foremost by stakeholder expectations. Clients often demand diverse people or teams, but at the same time have expectations and norms that can work against diversity. Speaking with clients and suppliers about how best to address these conflicting demands is recommended.

Collaboration is key. For example, in Law and Accountancy, peers collaborate to work on socio-economic diversity together – collating and benchmarking data, sharing effective practice and navigating the range of organisations that provide insights and support in this area. There is no equivalent group in the financial services sector.

Such a group should bring together a mix of colleagues from public and private organisations, regulators, peers and clients, academia and the third sector. Through this forum, financial services organisations should submit workforce diversity data annually to a trusted third party to benchmark data anonymously across the sector, and to begin to explore in more detail why there is significant variance between organisations with respect to socio-economic diversity, particularly at senior levels.

Recommendation 2

Collect and analyse the data, and explore how government, regulators and sector bodies can encourage and support this.

To enable evidence informed progress, all financial services organisations are advised to follow best practice guidance on the collection and analysis of socio-economic data. This will help better understand the challenges associated with progression, to inform changes in policy and practice, and to monitor progress in this area. Guidance can be found in more detail in our toolkit published in partnership with the Social Mobility Commission earlier this year – an updated version specifically for financial and professional services firms is to be published by the Commission. The Social Mobility Commission also has a 'Data Kit' which enables employers to compare progress against national and industry benchmarks. The Social Mobility Employer Index can help employers to measure progress year on year.

Unlike in law and accountancy, financial services employers are not currently asked for socio-economic diversity statistics by their regulators (though we note important differences between these sectors, including the mandates of the respective regulators). Consideration should be given to incentivise data collection within financial services e.g. by government, regulators and sector bodies.

As data collection becomes more developed, it should then be possible to report robustly on the pay-gap by socio-economic background (growing the sample size that was analysed using Labour Force Survey data), and to understand in more detail how this characteristic interacts with protected characteristics including gender and ethnic group. There is a growing quantitative evidence base, including in this report, that socio-economic background has an effect on access, progression and pay that is at least comparable to some other protected characteristics, including gender and ethnic group.

The Bridge Group has repeatedly called for socio-economic background to be a protected characteristic, and recommended enacting Section One of the Equality Act, obligating public bodies to give due regard to how they can reduce the impact of socio-economic disadvantage. It is important to understand whether, in the case of financial services, this would incentivise employer action.

Recommendation 3

Embed socio-economic diversity and inclusion in leadership responsibilities and performance review processes, and cascade through all levels of seniority.

Discrete diversity and inclusion programmes are necessary, but far from sufficient. In many areas of financial services, progression is determined by client and investment outcomes. The ability to effectively identify and manage diverse talent can often be side-lined, since success for managers in this area can hold little currency in decisions about pay, bonus, and gaining respect among senior peers.

There are a range of diversity initiatives and training programmes in place (e.g. mentoring programmes, diversity networks, bias training). These can be important in, for example, raising confidence amongst individuals or promoting general awareness of issues. However, socio-economic background diversity and inclusion needs to be embedded within leadership responsibilities and performance review processes, and be adequately resourced (in terms of time and budget).

Senior leaders are critical in creating inclusive working cultures and promoting equal opportunity for progression. They need to be: offered appropriate support and training; required to engage in diversity and inclusion discussions to understand and respond to employees' lived experiences; and have clearly defined responsibilities for achieving change. This includes monitoring the recruitment, retention, remuneration and progression of colleagues in their area by socio-economic background (and correlating this with other characteristics). This should be considered as part of senior leaders' performance review processes, connected to reward where possible.

Correspondingly, clear responsibility with 'middle managers' across occupational areas will be critical to making change, since they make daily decisions about who gets ahead and how.

The role of staff networks in encouraging these conversations and developing these relationships is particularly important. Encouragingly we've seen examples of very successful and highly active networks within our participant organisations, such as the PSR/FCA's Social Mobility Network, who coordinated the PSR/FCA's input into this study, and who would be happy to collaborate with other organisations.

Recommendation 4

Fix processes not people – review and reform dominant cultures and opaque processes.

The findings here serve to provoke open conversations at the participating organisations and more widely across the sector – and include an opportunity for those at all levels to contribute.

These conversations should include discussions about 'fitting in'. Assimilating to dominant cultures typically requires significant effort, which is often unseen or overlooked by those in the dominant group. A good framework to explore these matters is to ask an organisation "is it our job to help people fit in better, or to reform our working culture to ensure all the talent we welcome can excel?". Greater awareness about people's lived experiences can contribute to a more inclusive and open working culture which in turn can lead to better leadership, employee satisfaction and performance.

There are examples of the different ways in which organisations have approached this in our recently published Employer Toolkit developed for the Social Mobility Commission. The Commission are releasing a new toolkit specifically for financial and professional services firms. A good practice guide on the use of language is also appended below.

We recommend organisations review processes for work allocation, recruitment and promotion, particularly in relation to:

- understanding concepts of merit, identifying where norms relating to talent may be affected by background (for example, socio-economic factors) or by current barriers and challenges (for example, family responsibilities or location)
- executing best practice for recruitment processes, as outlined in detail by the Bridge Group, ensuring that definitions of talent are clear, that processes are transparent, and that hiring managers have the time and skills to ensure their practices are not unhelpfully detrimental to diversity and to securing the best talent; and
- formalising some processes, including senior sponsorship and project allocation, in order to give a wider range of staff the opportunity to be considered.

Methodology

This study was delivered to:

Understand diversity among the participating organisations with respect to socio-economic background, and how this relates to gender and ethnicity.

Explore any connection between career progression and socio-economic background.

Identify any factors contributing to this.

Identify practical recommendations to advance positive change as appropriate.

7,780 surveys were submitted during the period March to September 2020.

Quantitative data

Employees across all participating organisations were invited to submit anonymous data during the period March to September 2020: a total of 7,780 people responded. The surveys solicited, for the first time at most of the participating organisations, employees' socio-economic background – alongside other datapoints to enable wider analysis for this research.

We have also drawn on a variety of external datasets, including previous Bridge Group research, UK Labour Force Survey data, and data collected by colleagues at e.g. the Sutton Trust and from Bridge Group Fellows.

In categorising respondents' socio-economic background, we have used two metrics as outlined in the latest guidance published by the Bridge Group in collaboration with the Cabinet Office. As with all diversity characteristic questions, all respondents could choose 'prefer not to say' or 'I do not know'.

Parental occupation at age 14, categorised using the Office for National Statistics approach (NS-SEC).

Respondents are asked to indicate the occupation of their main household earner at age 14.	This is then conflated into a three-tier system as outlined in best practice from the Office for National Statistics
Senior managers or administrators (usually responsible for planning, organising and co-ordinating work, and for finance) such as: finance manager, chief executive.	HIGHER SOCIO-ECONOMIC BACKGROUND
Traditional professional occupations such as: accountant, solicitor, medical practitioner, scientist, civil / mechanical engineer.	HIGHER SOCIO-ECONOMIC BACKGROUND
Modern professional occupations such as: teacher, nurse, physiotherapist, social worker, musician, police officer (sergeant or above), software designer.	HIGHER SOCIO-ECONOMIC BACKGROUND
Middle or junior managers such as: office manager, retail manager, bank manager, restaurant manager, warehouse manager.	INTERMEDIATE SOCIO-ECONOMIC BACKGROUND
Clerical and intermediate occupations such as: secretary, personal assistant, clerical worker, call centre agent, nursery nurse.	INTERMEDIATE SOCIO-ECONOMIC BACKGROUND
Semi-routine manual and service occupations such as: postal worker, machine operative, security guard, caretaker, farm worker, catering assistant, sales assistant.	LOWER SOCIO-ECONOMIC BACKGROUND
Technical and craft occupations	LOWER SOCIO-ECONOMIC BACKGROUND
Routine manual and service occupations such as: HGV driver, cleaner, porter, packer, labourer, waiter/waitress, bar staff.	LOWER SOCIO-ECONOMIC BACKGROUND
This question does not apply to me	
Long term unemployed (claimed Jobseeker's Allowance or earlier unemployment benefit for more than a year) or retired	

School type at age 14, since this indicator has been historically used across sectors and enables a range of comparisons with other sectors. This categorises respondents as follows:

- **i. A state-funded school: selective on academic, faith or other ground**
- **ii. Attended school outside the UK**
- **iii. Independent or fee-paying school**
- **iv. A state-funded school: non selective**

This data approach is outlined in detail most recently by the Social Mobility Commission, prepared in consultation with the Bridge Group and the City of London Corporation.

In addition to socio-economic background, we also sought the following data from respondents:

Level of seniority, with organisational terms mapped to generate three tiers: junior; mid-level; and senior. We liaised with the participating organisations to identify parity across these categorisations, as outlined below:

Category	Broad description	Distribution across all respondents
SENIOR	Those in the most senior roles by grade / band, or reporting directly to this group and / or leading large teams. May also include high level specialist roles.	11%
MID	With developing professional experience, working under some supervision or autonomously on smaller projects.	63%
JUNIOR	Undertaking closely supervised work, with little or no supervisory responsibility, including entry level roles.	26%

Occupational area, analysis of this granular data features in the individual reports submitted to organisations, since aggregate mapping of occupational areas between organisations has been only partially possible.

Gender, i.e. male, female, non-binary and other.

Ethnic group, categorised into White, Black, Asian and Mixed / Other. In line with the Bridge Group's latest research and advocacy, we prefer to be more granular in our analysis of ethnic groups and their experiences, recognising that these categories conflate diverse groups of people. However, this approach has been adopted given the volume and shape of the data, and considering that our main focus here is on socio-economic background.

Rates of progression and performance, measured by the time taken by respondents to progress through grades and / or salary brackets (including >5% non-routine pay rises as an indicator of progression).

102
interviews across the majority of the different participating organisations.

Qualitative data

We undertook 102 interviews (including 32 with senior leaders) across the majority of participating organisations. Interviews lasted approximately one hour each. Organisations nominated senior interviewees, while the Bridge Group selected mid-level employees from a purposive sample of over 500 volunteers. We selected this mid-level group of employees so that it is broadly representative of all non-senior levels, age and other personal characteristics.

Analysing the data from these interviews, we identify key themes – with nothing detailed being an 'outlier'. The themes are rigorous in their own right, but also help contextualise the outcomes of the quantitative analyses. We identified key themes by coding and analysing interviewees' comments within the broader context of academic theories and research, and practice in the sector. This approach ensures that we provide rigorous, theory-based analysis of the qualitative data, as well as allowing interviewees' own voices to be represented directly.

Context

We have also undertaken a comprehensive review of the available literature and practice across the sector, to place this study in context and to highlight existing understanding, challenges and good work underway. This is available on the Bridge Group website.

Next Steps

We know that diversity leads to a wider range of perspectives and ideas, increased creativity and heightened employee satisfaction.

The range of practical recommendations here require commitment from leaders and the wider community in financial services. As noted above, the relevance and impact of this report and its recommendations will also critically extend beyond the primary focus of socio-economic background; progress in this area will undoubtedly also contribute to greater diversity and inclusion more widely, and overall equality and organisational productivity.

Our sense is that many senior leaders in the sector are aware of and recognise both the business and societal case for change in relation to diversity and inclusion, and of how these two cases relate to each other. In the context of Brexit, Covid-19, Black Lives Matter movement and more, action is what now counts.

More widely, we know that diversity and inclusion lead to a wider range of perspectives and ideas, increased creativity and heightened employee satisfaction. But for these benefits to be realised, the commitment to diversity must extend beyond entry-level hiring; and (most importantly) must be matched with an equally determined commitment to inclusion. Inclusion involves fostering respect for others and a sense of belonging, but it extends beyond these individual benefits by ensuring that everyone in a diversified workforce can thrive equally.

There is thus also a clear performance benefit for organisations. Change will require action, collaboration and investment from many stakeholders.

Appendix

Guidance on language relating to socio-economic background

This section is to help employers navigate the evolving context in which terms are used and debated, and to ensure that communications are effective in fostering an inclusive environment for both clients and employees.

'Social equality' is used here as an umbrella term for narrowing the social gaps between people and ensuring that the contributions made by all groups are fairly rewarded.

The glossary provides short definitions of terms along with some issues to consider when engaging with them to highlight their possible impact on audiences. Sensitivity is critically important in conversations relating to social equality. This means recognising the perspective of the speaker in relation to the audience, but also the context in which the term is used (for example, on a website, in conversations with clients or employees, in a conference speech).

It is particularly important to recognise the perspective of the user of the term with regard to relative privilege, and to appreciate the way that some terms can hold (implicit) value judgements. For instance, terms such as 'disadvantaged' and 'less privileged' can be perceived as negative and inaccurate, especially if they presume 'advantage' and 'privilege' to be the norm. We recommend using such terms with care. We acknowledge that these terms may offer a clear and concise way of, for example, describing findings from large datasets or abstract concepts, or in summarising various factors – and indeed, we use them in this report and the higher education sector routinely uses 'disadvantaged' or 'less advantaged' to refer to students meeting one of a dozen or more criteria. In conversations with staff it is likely to be possible instead to refer to socio-economic background and/or to specific criteria, for example attendance at state vs independent schools.

The meaning of terms and their use evolves over time. It is vital to be mindful of this shifting linguistic landscape.

Crucially, how we describe and relate to factors informing social equality can have a powerful influence over the social problem: promoting positive change or reinforcing and perpetuating inequality. Harnessing an enabling and positive vocabulary is a necessary and strategic step towards transforming organisational cultures, fostering inclusivity, and therefore engaging and releasing potential.

Preferred Terms

Term	Definition	Usage and context
Socio-economic background	'Socio-economic background' is the prevalent term to refer to the particular set of social and economic circumstances in which an individual grew up. This can be categorised objectively by capturing information on, for example, the type of school individuals attended, whether they received free school meals and their parents' occupation and level of education.	This term facilitates fair discussion of the influence of social and economic circumstances on individuals' educational and career trajectories. We note that individually any one indicator does not necessarily determine whether someone is from a more or less advantaged socio-economic background (particularly in relation to school type), but that collectively they create a picture.
Social class	While lower socio-economic background and working class are sometimes used interchangeably, they are not the same. Class is harder to define and may be influenced by individuals' perceptions of their social status. Class can refer to a range of behaviours and tacit assumptions, from how to dress and talk to food choices and hobbies.	Employees and clients may be less comfortable talking about social class compared with socio-economic background – because of its political associations and lack of specificity compared with more precise terms.
Social justice	Social justice in the context of this report means people achieving through their own choices and efforts, unimpeded by their socio-economic background. For employers, this means creating the conditions to enable everyone to reach their full potential. More broadly, social justice means just and fulfilling relations between the individual and society. Social mobility (see below) is related to social justice, but focuses more on an individual's upward trajectory within existing society.	Achieving social justice requires societal and corporate responsibility for change. It aptly describes what the recommendations in this report seek to achieve.
Diversity	Diversity means recognising and valuing difference amongst individuals, for example in relation to gender, ethnicity, socio-economic background, sexual orientation, age and disability. Diversity also generally refers to increasing the representation of groups that are under-represented in particular organisations.	Recognising that employees are collectively diverse helps to move away from seeing one group or culture as the 'norm', with others expected to adapt to that norm.
Inclusion	Inclusion means creating the conditions in an organisation to allow individuals from diverse backgrounds to contribute and achieve to their full potential. It means creating a working culture in which individuals from diverse backgrounds feel comfortable and valued.	Inclusion focuses attention on policies and processes as well as individual behaviours.
Intersectionality	Intersectionality refers to the overlap of more than one diversity characteristic or aspects of a person's background or circumstances. It also refers to the possible effect of this in compounding a person's experience of inequality.	Our research for this report found that Black and Ethnic minority employees from lower socio-economic backgrounds face a 'double disadvantage'.

Related terms

Term	Definition	Usage and context
Social mobility	The term social mobility is used frequently, especially in politics. It means supporting and creating opportunities for individuals from lower socio-economic backgrounds to enable them to become more economically successful.	Social mobility focuses on individual people, rather than on the wider workplace and its policies, processes and working culture.
Meritocracy and merit	This is a troublesome term and has been much discussed. Many argue that meritocracy is impossible to achieve when rooted in structural economic inequalities, and therefore is a term often employed to deflect from (and even justify) the social status of those who advantage most from these structural inequalities. In principle, in a meritocratic system people are rewarded and progress on the basis of demonstrated achievement. This principle is often associated with fairness. However, for meritocracy to give rise to social justice, an organisation needs to create conditions and a working culture that are inclusive (see earlier definition).	Organisations also need to discuss openly what they understand by merit and what qualities they value.
Talent	Talent is difficult to define, but broadly speaking is a specific aptitude or skill that helps an individual to succeed. It can be problematic to assume that a talent is innate, as research shows that it may be correlated with longer-term exposure to opportunities for learning and practice.	It may be more helpful to focus on merit, which focuses on what a person achieves.

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