

Race to Equality: UK Financial Services Third Edition 2023

Addressing underrepresentation of ethnic minorities in the UK financial services sector.



reboot

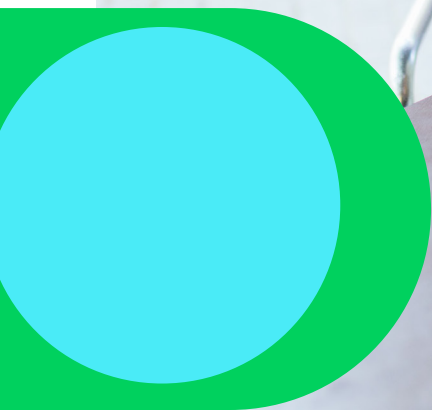
Frustrated efforts in financial services

Recent years have seen companies pledge to make wholesale improvements to diversity, equity and inclusion efforts amid a growing frustration in broader society that not enough was being done to bridge the representation gap for individuals from a minority background in financial services.

However, despite multiple statements of intention and numerous reports from Reboot and other organisations on the extent of institutionalised racism, it remains the case that not enough is being done. In its third annual edition of Race to Equality: UK Financial Services, we highlight the experiences and perceptions of some 800 individuals (700 ethnic minority Vs 100 from White British), working in the financial services sector.

This year's report has found a disappointing lack of progress. The average score for Reboot's Race to Equality Index has actually fallen year on year, from 67 in 2022 to 65, out of a maximum possible score of 100, undermining greater efforts and pledges being made three years on from Black Lives Matter movement taking centre stage.

While positive efforts are being made to drive inclusive cultures in the City, there is a frustrating scarcity of role models and ongoing lack of representation, which are viewed as high hurdles to ethnic minority career employees in the companies they work for. The question therefore still stands: Why aren't corporate commitments to DE&I proving fruitful?



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C-suite crucial for change

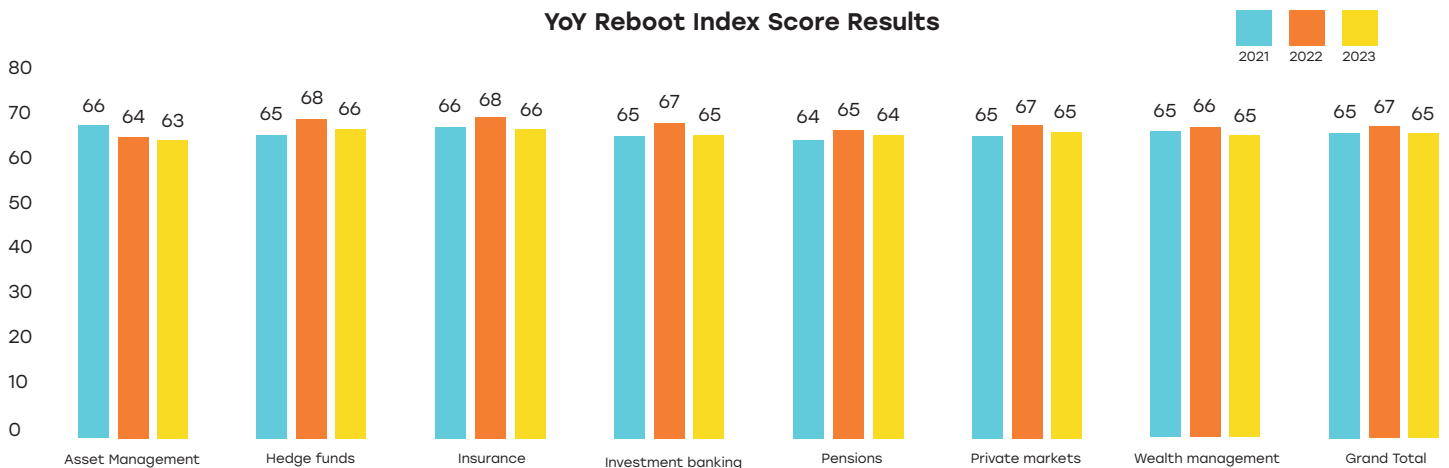
The Reboot Race to Equality Index is calculated using survey data reflecting employees' perceptions of the actions taken by their financial services organisation to improve ethnic and racial diversity and inclusion. This encompasses aspects like communication, recruitment, culture, career progression, training, mentoring and leadership – an important step to measure how the industry is working to create more diverse, equitable and inclusive workplaces.

However, the index shows that the average DEI score for financial services companies

has declined this year as compared with 2022, with the overall score dropping from 67 to 65 (the target score for companies being 100). Furthermore, the asset management sectors showed the biggest decline over a three year period – and was scored the lowest against any other sub-sector.

The overall decline was primarily driven by lower levels of perceived commitment to tackling racism from senior leadership, with strong sentiment that positive change must be led from the top down.

YoY Reboot Index Score Results



Noreen Biddle Shah, Founder of Reboot, said:

“This year’s results show a lot more still needs to be done, and structural change is key to moving the needle. In its recent consultation, the FCA demonstrated a sophisticated understanding of the nuances surrounding progressing DEI. It pinpointed the need for better data and acknowledged that for ethnicity, it should be broken down with

sufficient granularity. We are of the strong belief such reporting needs to be mandatory.”

We need to remember – this is not a fluffy exercise. Diversity of thought will reduce business risk, it will support innovation and robust outcomes, as well as lead to a fairer society.”

Reshaping the industry

Reboot is a campaign group of senior financial services professionals working to drive action for workplace racial equality across financial services.

But this year's report found that in order to reshape the industry, it is time for senior leaders to take a more active role in advocating diversity.

Jörg Ambrosius, Executive Vice President, Chief Commercial Officer at State Street said:

“As this year's decline in the Reboot DEI score suggests, change cannot happen overnight, or even in a year. Lasting change can only happen if there is continuous commitment from the top to actively confront and address racism.”

Ethnic minority employees still feel that senior leaders are not actively doing enough to confront racism. Four in ten respondents (40%) said that they did not believe that their CEOs were sufficiently committed to addressing racial discrimination in the workplace.

When asked why they felt this way, almost half (48%) of respondents said that they believed senior leaders did not fully understand the impact of racism and 43% suggested leadership feared backlash from either inside or outside of the workplace. Without sufficient commitment to addressing issues of racism, a third of respondents said that unconscious racial discrimination remains a barrier to ethnic minority career progression. Four fifths (81%) of employees surveyed said they believe that if top level leaders took active measures to address racism, positive change across an organisation would follow.



Role models required

Across financial services, improving leaders' understanding of the issues is not the only challenge. More than half of respondents believe that senior representation models and networks need improvement to help those from diverse backgrounds break into industry.

Despite year-on-year improvements of ethnic minority representation at senior

levels rising from 30% to 32% in 2023, progress is slow and leaves diverse voices out of the conversation.

With 59% of respondents highlighting a lack of role models sharing a similar identity, employees feel unable to find career advice. Junior and mid-level employees lack mentors and networks to call on for support.

Mona Patel, Head of External Communication, Metro Bank and Reboot Ambassador, said:

"Time and time again we hear about the scarcity of role models from minority ethnic backgrounds. It's not a quick or simple fix. We need better pipelines so that entry level opportunities are filled with a diverse range of people. Then we need to layer that with actively monitored career and talent progression so that any early signs of discrimination and bias are caught and addressed."

Kelly Tran, Co-Chair of race & ethnicity workstream, Diversity Project, added:

"It is concerning to hear that despite well-identified barriers to ethnic minority career progression, such as lack of networks and role models, this year's survey still shows that progress on DEI is not happening fast enough, and may even be stagnating."

"In an environment when the UK is bidding to maintain its status as a leading financial services hub on a global scale, it is imperative that we continue."



Mind the (ethnicity) pay gap

Recommendations for improving ethnic minority experiences in the workplace include calls for organisations to embrace transparency on ethnicity pay gap (EPG) reporting.

Similar to gender pay gap reporting, EPG reporting exposes the differences between the average earnings of those in all ethnic groups. At present, this is not a legal requirement in the UK in the same way as gender pay gap reporting is.

Share Action's Toolkit (which was supported by Reboot) found that only 18 companies of the FTSE 100 voluntarily disclosed their ethnicity pay gap. Obstacles to increasing EPG reporting included low rates of ethnicity disclosure by employees due to a lack of awareness on the importance of data collection.

Justin Onuekwusi, Chief Investment Officer, St James's Place, co-founder of #TalkAboutBlack and Reboot Ambassador, commented:

"If more financial services firms willingly publish data on pay gaps, we can begin to build momentum and demonstrate the feasibility of reporting. In doing so, the sector could showcase the value of reporting for all industry sectors and potentially help pave the way to a fairer society, better businesses and a more successful economy."

A third of employees expressed that they would be unwilling to provide personal information to their employer for the purposes of an EPG report. Furthermore, the majority of ethnic minority employees report a need to self-censor themselves at work, inhibiting the flow of information. With over three-quarters of financial services organisations saying they were willing to disclose race data under the sustainable finance disclosure regulation

(SFDR), the lack of employee willingness to engage with EPG reporting is inhibiting progress.

Therefore, employers should make greater efforts to educate employees on the benefits of accurate data collection and EPG reporting.



Shouting louder

Eunice Zhu, Executive Director of Derivatives Counterparty Risk Trading, SMBC Group EMEA and Reboot Ambassador, said:

“As an ethnic minority, the survey's revelation of persisting inequalities in the UK's financial sector is deeply disheartening. It's a clear indicator that more proactive and effective strategies are essential to truly embrace diversity and combat systemic biases.”

So why isn't the noise around workplace racism louder at an organisational level?

Despite 53% of respondents being aware of internal channels within their companies to voice concerns and report discrimination, 68% of respondents highlighted a fear of a backlash if they did so.

At the same time, 13% voiced concerns about channel effectiveness, a perceived lack of seriousness (10%) and worries about

confidentiality (9%). A combined 36% of employees surveyed had reservations about using whistleblowing processes all together.

It is indicative that trust and access issues persist for employees seeking to speak up about their experiences. In place of existing whistleblowing frameworks, employees voiced a desire for secure and confidential racism reporting systems.

Our survey found useful suggestions for employers. These included proposals to provide clear communication channels, leadership training and assurances like anonymity and non-retaliation to facilitate unbiased reporting.

Addressing these concerns is vital for employers to enhance employee trust in reporting mechanisms. Only by listening to the concerns and experiences of employees can organisations implement effective frameworks that work to remove bias and discrimination from the financial services sector.



Awareness maketh the ally

The disparity between white employees' perceptions of discrimination in financial services and the lived realities of their ethnic peers remains a significant barrier to progress.

In the survey, all ethnic groups and white peers were separately questioned on their perception of representation within their organisations. The results showed that 32% of ethnic minorities believed there was ethnic representation at a senior level compared to 36% of white peers.

Research also found that employees held starkly different views about the commitment – at a senior leadership level – to racial inclusivity. 76% of white employees believed that their organisation values ethnic and racial inclusion compared to only 65% of ethnic minority employees. The differing perceptions of white employees to their ethnic minority counterparts suggests that key conversations about diversity are not happening between peers.

Martin Buttle, Better Work Lead at CCLA, commented:

“We are pleased to see the launch of this year’s report as it continues to keep much needed conversations alive in the sector. Some of the findings are concerning, particularly how over half of respondents believe issues remain regarding the pace of firms improving representation and mentorship. Such findings have come at a critical time for the financial sector, highlighting the work the industry needs to do, in order to ensure greater diversity that truly reflects the societies in which it operates.”

Through having open conversations about the state of diversity in financial services, white peers can provide allyship to those

who are underrepresented in the sector. Through this collaboration, employees can jointly drive awareness about representation from the bottom up, forcing senior leadership to reevaluate the culture of inclusivity that they believe exists within their organisation.

Arun Kelshiker, CFA, Vice Chair, CFA UK DEI Committee and Reboot Ambassador, said:

“Firms, industry bodies and individuals all have a critical role to play in making sure that our workplaces grow in their intention, as well as their awareness and skills-building on DEI issues.”

Dimple Mistry, a senior HR professional in financial services and a Reboot ambassador, agreed, adding: “Striving for an industry that is diverse and has inclusive cultures is a journey that does not end. The results show there are nuances of experiences within different ethnic groups and it is clear one size does not fit all. The culture and systems in place should be reviewed continuously to assess effectiveness and impact across all ethnic groups.”



Change to come from the top

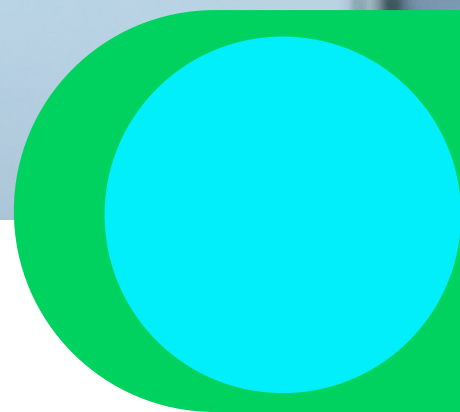
While it is positive that white peers are acknowledging the importance of equal opportunities for all, greater commitment is needed from a leadership level.

Currently only 54% of employees believe that senior leadership teams truly understand the importance of DEI to an organisation's success. Ethnic minority employees suggest that greater emphasis must be placed on informing and educating business leaders on the benefits DEI can have on a business, its customers, and the wider industry to increase its widespread uptake.

Sachin Bhatia, EMEA Head of Consultants and UK Pensions at Invesco, said:

“While it is good to see discussions like this taking place and attention being paid to this issue, it is clear there is more that needs to be done across the financial services industry. Recent ongoing discussions and developments at a legislative and government level will help in keeping the momentum going around this topic.

“However, we should not just focus on the data, but also the cultural and behavioural issues that persist in our industry. We should seek to find ways so we can collectively address these to ensure good talent is recognised, rewarded accordingly and able to progress.”



Zero tolerance on standing still

To address peers' misconceptions of minority experiences and to stamp out subtle but pervasive systemic racism, a change in cultural behaviour across the financial services sector needs to happen.

According to ethnic minority employees, this cultural change can only start in one place, with top level leaders. To make it easier, employees highlighted several strategies they expect senior leadership to adopt to fulfil their commitment to DEI.

Employees suggested that if leadership took substantial action to address racism, considerable positive impact would follow.

Leaders and line managers should set the agenda by first acknowledging the issue of racism and discrimination, and then denounce it by implementing zero- tolerance policies.

After setting the agenda to address racism, employees highlighted the top 5 actions line managers and leaders can follow to stamp out workplace racism.

This starts by engaging, in a transparent and open fashion, about the importance of diversity and encouraging active listening spaces where leaders can hear the experiences of employees to better understand how to address issues head on.

Drawing on the experiences and concerns of employees, managers should set clear expectations and measurable goals to address racism.

From this, they can more easily offer training and education to employees and senior leaders, empowering them with the tools and knowledge they need to address racism effectively.



Reflecting diversity

Shifting cultural attitudes can only happen through collaboration and with leaders putting employees at the heart of solutions. By being active listeners and involving employees in the DE&I decision-making processes, employers can start to foster cultures of accountability and inclusivity.

Employees suggest that fostering inclusivity can be achieved by ensuring that opportunities for progression and celebration are accessible to all.

Fostering opportunities for employees to progress into senior leadership positions creates senior leadership teams that reflect diverse employee demographics and inspires talent. It should be an objective for all businesses to create a cultural reboot in which respect and inclusivity is engrained.

Baroness Helena Morrissey DBE, Chair of the Diversity Project UK and Reboot Advisory Board Member, said:

“Real lasting change within organisations can only happen if there is continuous, proactive commitment from CEOs and senior leaders to actively address and confront racism.

“This obviously cannot take place overnight, but it is important that senior leaders do not drop the ball amid other socio-economic issues. They must remember that their stance on racism will strongly shape organisation culture. Actions speak louder than words.”



Reboot required for an inclusive industry

Ultimately senior leaders have a responsibility to champion anti-racism and be the voice of representation that ethnic minorities are missing from the boardroom.

A shift needs to happen within leadership frameworks in financial services to cause top-down impact that will empower employees to feel valued in the sector.

Without the C-suite trumpeting the importance of DEI commitments from an informed standpoint, real change will fail to materialise, threatening the uptake of financial services careers by ethnic minorities who still feel a lack of belonging, respect, and value.

At the same time, financial services businesses look set to continue to miss

out on the talents and benefits that a diverse pool of talent can bring. The ongoing frustrations of minorities in this year's survey shows that talent from non-traditional backgrounds still feel demotivated by a lack of recognition and representation.

With misconceptions about the lived experiences of minority employees prevailing, it is important to cement the fact that racism exists on a human level and causes detriment to individuals and companies, as well as to society as a whole.

By ensuring that representation is a key sector priority, the commercial benefits of effective DEI efforts can be felt by organisations and employees.



Time to Reboot: The Reboot 3-point action plan for CEOs

1. Set the tone at the top:

Employees do not believe their companies are committed to improving diversity and creating inclusive cultures. Senior leaders need to initiate conversations about race and ethnicity to address the problem at a board level.

Partaking in ongoing training will enable effective leadership that can address ethnicity challenges with real measures such as through reporting pay gaps.

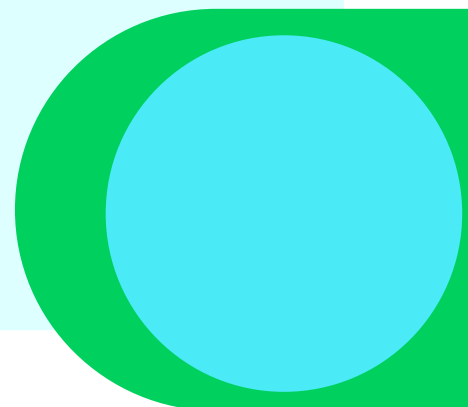
2. Put people first:

Only a quarter of firms consult with ethnic minority employees on how to tackle DE&I issues. With a lack of senior diversity across the industry, decisions about DE&I are made without experiencing or understanding them.

Engaging with employees' leaders can put force behind an organisation's DE&I commitments, putting people at the centre.

3. ACT, Accountability, Collaboration & Transparency:

By embedding accountable environments, collaborative initiatives, and transparent communication into organisations, CEOs can ACT to make real change in financial services. By showing accountable leadership that uses varied perspectives to implement holistic solutions to extinguish racism in the workplace, leaders can champion transparent cultures of trust and inclusivity.



Methodology

The Reboot research was conducted by Coleman Parkes between August and September 2023, surveying 800 respondents of various ethnicities (700 ethnic minorities and 100 white employees) who have been working in the financial services sector for at least 10 years.

The Reboot Race to Equality Index is calculated using survey data reflecting the respondents' perceptions of the actions taken by their financial services organisation to improve ethnic and racial diversity and inclusion. This encompasses aspects like communication, recruitment, culture, career progression, training, mentoring and leadership

Further reading: During Q1 2023, Reboot published a paper, Investors' Role in Race Equity: UK Investment Management Roundtable, which brought together a group of prominent investment industry decision makers to discuss the benefits and challenges to long-term investors of portfolio companies adopting policies to improve DE&I generally and the disclosure of demographic and pay data in particular: [Reboot-UK-investment-industry-roundtable_4.pdf](#) ([rebootequality.org](#))

About Reboot

Reboot is an award-winning working group of senior financial services industry professionals, united around a single mission, which is using the power of storytelling and research to support positive action in the United Kingdom regarding race and ethnicity in the workplace. By engaging leadership across large organisations (focusing on financial and professional services), the media and policymakers, Reboot is working to educate its key stakeholders to help tackle conscious and unconscious biases through recommendations based on data and insights. Reboot is advancing the diversity narrative to a more meaningful and accountable dialogue between its key audiences and is advocating to make ethnicity pay gap reporting mandatory - identified as a key metric to help support a fairer industry and society.

Acknowledgements

With special thanks to our probono partners – Coleman Parkes Research, Rhotic Media, FTI Consulting, Citigate Dewe Rogerson, Opinium, Mint Gecko as well as all our ambassadors for their support in Reboot's 2023 Race to Equality: UK Financial Services report.

A special thanks to this year's corporate sponsors

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To find out more about Reboot, please contact us on hello@rebootequality.org