



Reboot Race to Equality: UK Financial Services 2024 Report.





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A year of tension and transformation in UK race sentiment

The year so far has been marked by a challenging mix of messages when it comes to race equity in the UK.

Geopolitical instability, rising populism and financial pressures have all contributed to a growing fatigue around ESG initiatives and a rise in anti-immigration sentiment. Marginalised groups are bearing the brunt of these pressures, particularly as diversity, equity and inclusion (DEI) efforts appear to be being scaled back or approached with extreme caution.

The summer of 2024 brought eye-opening events that further highlighted the racial tensions within UK society, which we know have impacted employee sentiment and wellbeing in financial services. During the summer, Reboot conducted a pulse survey with one of our research partners, Opinium, to gauge the effects of the UK race riots on employees. The results were telling: financial services employees are dissatisfied with how their firms and the industry at large have responded to the unrest. Alarming, 70% of respondents indicated that little to no real change or progress has occurred since the Black Lives Matter movement ignited global sentiment four years ago.

These findings align with the insights from our fourth annual Reboot Race to Equality report, in partnership with research house, Coleman Parkes, which shows a stagnation in race sentiment in the past four years. Even more concerning is the growing trend of employees feeling pressured to remain silent on issues of racial and ethnic diversity. Many fear repercussions if they speak up, with some feeling concerned about their job security should they challenge the status quo.

On a more positive note, this year we also welcomed a new government, which has committed to mandating ethnicity pay gap reporting as part of the draft Equality (Race and Disability) Bill announced during the King's Speech. While the consultation process has not yet begun, we understand it will be imminent and remain hopeful off the back of our conversations with government representatives thus far.

Additionally, the Financial Conduct Authority and Prudential Regulation Authority have launched a consultation on diversity and inclusion in the financial services sector, to which Reboot alongside The Diversity Project has responded. Though the final policy statement is yet to be published, we are concerned that the recent backlash to DEI initiatives may lead to delays or a dilution of the original intent behind the consultation.

Furthermore, despite resistance to the concept from some segments of the industry, this year's Reboot Race to Equality report found overwhelming support for ethnicity pay gap reporting. The vast majority (84%) of respondents believe it should be mandatory, and 87% agree that companies should disclose ethnicity pay gap data alongside a concrete action plan.

Yet, for these numbers to translate into real progress, leadership must set the tone for culture. Only 35% of respondents feel their CEO and top-level leaders are doing enough to address issues of racism – a significant drop from the 60% reported last year. Nearly two-thirds (62%) believe their leadership teams are merely paying lip service to diversity without taking meaningful action. Given the factors hindering DEI initiatives, we urge the government and regulators to avoid any further delays in implementing reforms to protect marginalised groups. There must also be a stronger emphasis on the risks of neglecting diversity in the workforce, with a shift away from viewing it as a mere 'woke' topic. As volatility, uncertainty, complexity and ambiguity become the new normal, diverse companies stand to benefit from healthier corporate cultures, reduced groupthink and access to untapped talent and innovation. They are also better equipped to understand and cater to the diverse needs of consumers.

As the government and regulators turn their attention to growth in the financial services industry, they will increasingly recognise the vital role that an inclusive culture plays in this endeavour. Business leaders should take proactive steps to ensure they are capitalising on the UK's status as the pre-eminent diverse talent pool, as they look to drive success in their own businesses. These are not two separate themes – supporting a strong, diverse culture and growth are deeply intertwined.

Noreen Biddle Shah, Founder of Reboot

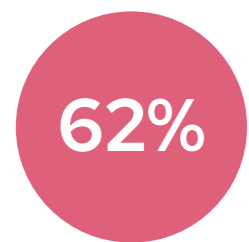


Diversity & business growth go hand-in-hand

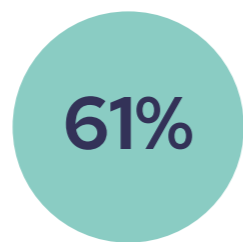
The Black Lives Matter movement sparked a positive change, causing financial services firms – and, indeed, wide swathes of society – to re-evaluate their approaches to anti-racism and implement racial and ethnic inclusion measures.

But since then, momentum has stalled and there has been no remarkable improvement. In 2024, the Reboot Race to Equality report shows the average DEI score for financial services had increased to 66.2

out of an optimal 100, up from 64.8 last year and driven by improvements in the pension subsector – but this jump merely brought firms back up to 2022 levels. In fact, nearly two thirds (62%) of respondents say that their company’s current state of ethnic and racial diversity efforts has not changed or has declined compared to two years ago. If we look at the four years since we started the Index – there has been no material improvement in sentiment.



62% say their company’s diversity efforts have stalled or declined in two years



61% believe CEO action on racism would greatly improve company culture



41% say more minority leaders would boost their loyalty

The 2024 report shows that racial and ethnic diversity isn’t just a moral imperative – it’s a business one. Six in ten (61%) of employees believe that if CEOs and top-level leaders took significant action to address racism, it would have a considerable positive impact on the company culture. Four in ten (41%) say greater representation of ethnic and racial minorities in leadership would increase their loyalty towards their employer.

Mary O’Connor, former Chief Executive Officer and Board Director



Mary O’Connor, former Chief Executive Officer and Board Director says:

“As a former CEO, I have seen how diversity not only protects firms from downside risks such as groupthink, but also fosters growth and unleashes productivity and innovation. Companies that fail to embrace diversity are also failing to achieve their commercial potential and leaving money on the table.”



Rick Lacaille, Former Chief Investment Officer at State Street Global Advisors

The message is clear: businesses that embrace racial and ethnic inclusion will see healthier corporate cultures, more engaged and productive employees and, ultimately, greater potential for business growth. Yet, the report also shows nearly half (48%) of employees feel a lack of understanding among CEOs about the severity and impact of racism is one of the main reasons these issues aren’t being tackled.

Despite demand from their employees, CEOs and leadership teams are sidelining diversity initiatives. Four in ten respondents (42%) cite budget cuts as the biggest contributing factor that is slowing down or silencing DEI efforts. In addition to this, 22% have seen reduced funding for diversity programmes and over a quarter (26%) have seen an elimination of diversity-focused roles over the last two years.

In today’s challenging economic climate, CEOs and leadership teams are focused on attempting to mitigate the implications of the economic downturn at the expense of racial and ethnic diversity and inclusion

and broader DEI initiatives. But financial services firms that fail to tap into the broadest possible pool of talent are missing opportunities to better represent the society they serve and, ultimately, drive sustainable business growth.

Rick Lacaille, Former Chief Investment Officer at State Street Global Advisors, says:

“Our diverse talent pool offers an enduring, positive differentiator for the UK financial services industry, yet the Reboot report suggests this potential is being squandered by firms’ inability to address the need to build an inclusive culture. Investors in the UK may yet benefit from diversity, but regrettably, more regulation relating to disclosure may be needed.”

CEOs must understand that fostering a diverse workforce leads to better decision-making, enhanced creativity and increased innovation, all of which can contribute to long-term and sustainable profitability.

Muzzling of diversity advocates

Despite efforts by organisations to create more inclusive environments, many employees feel pressured to stay silent on issues of racial and ethnic diversity. While more than half (58%) say their companies actively encourage employees to inform change and build an ethnic and racially inclusive culture, the reality is starkly different for many.

Nearly half (44%) of respondents feel pressured not to advocate for ethnic and racial equality in their workplace, and four in ten (42%) say they must be cautious when speaking up. Non-white ethnic groups felt more pressure to stay silent (45%) compared with their white peers (35%), though both groups expressed concerns about retaliation.

This culture of silence isn't just an individual issue; it affects whole organisations. Over the last two years, 46% of employees have experienced pressure not to discuss diversity issues, and nearly four in ten (39%) have witnessed the muzzling of diversity advocates. These figures highlight a worrying disconnect between what organisations say they want – an inclusive, diverse culture – and the reality of what's happening on the ground.

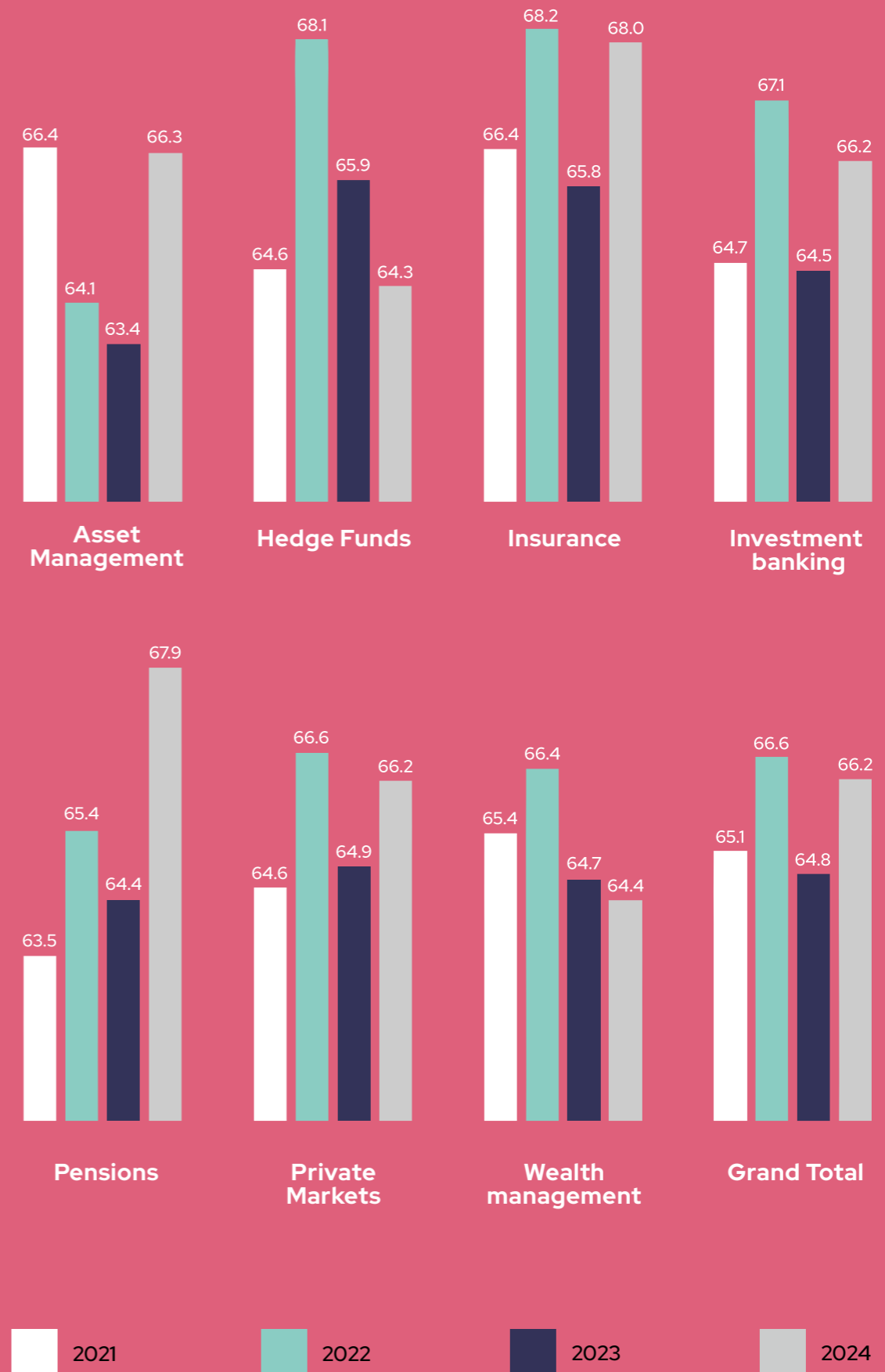
Hannah Grove, FTSE Board Director, says:

"If you take one message from this report, it is that actions are needed far more than words in terms of both driving demonstrable progress and ensuring that our financial services industry can flourish with the full benefit of diverse and engaged talent."



Hannah Grove, FTSE Board Director

Reboot Race to Equality Index



Diversity without career progression

While ethnic and racial diversity in recruitment has seen significant improvements, barriers to career progression remain a serious issue. Nearly three-quarters (74%) of respondents say their organisation is actively seeking to hire a more ethnically and racially diverse workforce, and yet over half (55%) of respondents feel the skills and talent of ethnic minority employees are being overlooked. This disconnect is especially concerning given that more than half (59%) of respondents believe the identity or background of ethnic minority employees adversely affects the opportunities they are offered – up from less than one-third (29%) two years ago.

Without diverse leadership, many employees lack role models who share their backgrounds, making it harder to envision their own progression within the company – a vicious cycle.

In fact, 61% of respondents say their organisation's leadership lacks role models who reflect their identity, perpetuating a glass ceiling for racial and ethnic diversity. While there has been progress in ethnic minority representation at the entry and mid levels (42% and 34%, respectively, up from 34% and 27% last year), senior leadership representation has stagnated, rising only slightly from 32% to 33%.

In addition, nearly a quarter (22%) of respondents believe ethnic minorities are more likely to face redundancy compared to their peers. Non-white respondents are more likely to hold this belief, at 23%, compared to their white colleagues, at 15%.

These findings highlight a troubling trend: while companies are making strides in diverse hiring practices, upward mobility remains elusive for many racially and ethnically diverse employees.



No consequences, no change

The results have shown that there is a sense that CEOs are playing lip service. This is a finding that should be taken seriously, as it can result in the eventual breakdown of the psychological contract and trust. This has a ripple effect into other parts of the employment relationship. If there is pressure for the CEO to focus efforts in other areas of the business, it is important for CEO's to communicate this to staff with authenticity and ensure action taken matches the messages that have been delivered.

Dimple Mistry
Reboot Advisory Board and HR Leader



Despite the perceived commitment of leadership to racial and ethnic diversity and inclusion, many employees feel their organisations fall short when it comes to taking meaningful action.

Nearly two-thirds (62%) of respondents believe their leadership teams are simply paying lip service to these issues – talking about ethnic and racial diversity without backing it up with tangible steps. Even more concerning is that nearly three-quarters (70%) described their leadership teams as actively resistant to ethnic and racial diversity efforts.

This lack of action often stems from the top. Over half (54%) of respondents believe that a CEO's stance strongly influences the importance of diversity within the company's culture. Yet only one-third (35%) feel their CEO and senior leaders are doing enough to address racism, a significant drop from last year when this figure stood at 60%.

Just over a third (39%) say their CEO is passionate about addressing racism but more can be done to effectively reduce these issues, and 14% say their CEO's actions are insufficient in addressing these issues.



believe their CEO's actions are sufficient to address racism effectively.

Bev Shah, co-Chief Executive at City Hive, says:

“Leadership in firms should understand that the sentiment expressed by their employees is a reflection of their wider culture, which is central to understanding how an organisation will deliver on its real-world commitments, including to DEI. A failure to consider and include everyone, to the extent that people feel at risk of experiencing racism in the workplace, should be seen as extremely serious. This is particularly the case in firms that present themselves as responsible stewards of assets.”

Many respondents believe that if CEOs were truly held to account – such as through public scrutiny, reporting mechanisms or internal consequences – there may be more meaningful progress on DEI issues. Nearly four in ten employees (39%) say the absence of consequences for CEOs who fail to address racism is a significant factor in the lack of

prioritisation of diversity and inclusion efforts. One potential way to improve transparency and accountability among the C-suite is mandatory ethnic pay gap reporting to reveal pay disparities within an organisation. The vast majority (84%) of employees believe the government should make this reporting compulsory, while 87% think companies should be required to disclose their pay gap data alongside a detailed action plan. By shining a light on the disparities that exist, this type of reporting could provide a clear measure of how seriously companies are addressing inequality, and how they improve over time – making it a potential instigator that CEOs and other leaders need to take meaningful action.

Bev Shah, co-Chief Executive at City Hive



Our recommendations: A call to action

Financial services leaders play a pivotal role in shaping the sector's future. Their influence extends beyond profit margins and business operations; the stance they take on diversity directly impacts organisational culture, including an organisation's reputation for inclusivity, respect and fairness, and employees' ability to speak up.

Baroness Helena Morrissey, Chair of The Diversity Project, says:

"With so little progress made to date and given heightened racial tensions across the UK, it seems extraordinary that financial firms' efforts to improve racial equality are diminishing or under threat. But I'm afraid this report corroborates the messages from the Diversity Project's recent webinar, 'No Space for Racism' – there is a clear gap between what needs to happen and what is actually being done at many firms.

While business leaders can do much more to level opportunity for all talent, encourage openness and deepen community within their own companies, the regulator can also help by providing clear expectations. The Diversity Project, Reboot and Talk about Black have written to the FCA to urge a renewed focus on tackling racism and improving culture. We look forward to working closely together to change the Reboot report's findings next year."

Baroness Helena Morrissey,
Chair of The Diversity Project



To ensure meaningful progress for racial and ethnic DEI, it is essential that well-meaning statements are backed by concrete action.

- **Compassionate, hands-on leaders**

The approach of CEOs and senior leaders toward diversity and inclusion significantly shapes the organisation's culture. Active involvement from leadership shouldn't be limited to strategic discussions at the top – it must extend to all levels of the business.

By engaging with employees across the organisation, encouraging constructive criticism and leading by example, CEOs and other leaders can demonstrate that racial and ethnic diversity and inclusion are business priorities. There must also be consequences for those failing to act, ensuring accountability for creating a diverse and supported workforce.

- **Maintained momentum**

Four years after the Black Lives Matter movement reshaped focus on racial justice, ethnic and racial diversity efforts in financial services should not be dwindling; they should be improving year-on-year.

With racism still dominating global headlines, financial services must continue to be a part of the solution. Appointing and supporting diversity champions within businesses can help ensure DEI initiatives are implemented consistently and remain central to company goals.

- **Action vs lip-service**

Commitments to tackle racism in the workplace must be backed by genuine action. Leadership teams should be held accountable for delivering on promises, with clear and measurable goals in place to document their progress.

A transparent and structured approach to racial and ethnic inclusion will not only help keep leaders on track but will also foster trust with employees and the public, demonstrating that diversity is a core value rather than a box-ticking exercise.

- **Empower employees to speak up**

Open communication is vital when promoting a culture of inclusivity. Employees should feel empowered to voice their concerns, opinions and suggestions about racial and ethnic diversity without fear of repercussions.

It is essential that organisations provide and promote safe channels for racial and ethnic minorities, in particular, to speak up. Leadership teams should actively encourage these discussions to help shape company policy and inform positive change.

- **Address barriers to career progression**

Equal opportunities for career progression are essential for building a diverse workforce at all levels of seniority. Financial services organisations need to address the barriers that prevent ethnic minority employees from advancing.

Leadership teams should also prioritise the development of mentorship and career advancement programs for underrepresented groups, ensuring that opportunities are available to everyone, regardless of background.

- **Ethnic pay gap transparency**

Finally, we call on the new government to fulfil its commitment of making ethnic pay gap reporting mandatory. Companies should be required to publish their ethnic pay gap data along with a clear, actionable plan to address any disparities.

This transparency is essential in holding companies accountable and ensuring that they are not only aware of inequalities but are actively working to move the needle in a positive direction.

Methodology

The Reboot research was conducted by Coleman Parkes between August and September 2024, 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 including communication, recruitment, culture, career progression, training, mentoring and leadership





About Reboot

Reboot was launched in early 2021 to highlight the experiences of and give a voice to ethnic minorities working in financial services. We have grown into a multi-award-winning organisation and continue to gain momentum with hard-hitting research, case studies and engagement with companies, policy makers and the media – all based on views and insights of thousands of ethnic minorities in the workplace. As an example, Reboot with Share Action, the 30% Club, Runnymede Trust and others, formed a steering group in July 2022 to specifically target companies in the FTSE 100 to ask for Ethnicity Pay Gap reporting, with the initial focus being financial services companies.

Acknowledgements

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