

Shaping Our Economy:

Senior roles in financial services and
socio-economic diversity

Foreword



The opportunity to champion a cause close to your heart is one of the great privileges of being Lord Mayor of the City of London. In my Mayoral year (2021/22), I focused on Social Mobility.

As I approached my Mayoralty, the City of London Corporation and eight forward-thinking organisations commissioned the Bridge Group to undertake research to understand how career progression was impacted by socio-economic background, and whether there was a link to job performance. The evidence was stark. While we might have hoped that high-performing talent would rise to the top regardless of background, the research told a different story.

Three years on from that research, and one year on from the launch of Progress Together, we now have data from 25 of our members and nearly 150,000 of their employees: the largest ever dataset of this kind. Although more varied in terms of sub-sectors, and much larger than the 2020 research, the story is very much the same.

In future years I hope that we can widen the scope of the data collection further to understand better what is happening in the sub-sectors of the financial services industry and to learn from those who are making a difference. But the challenge is real and clear: to enhance our globally competitiveness we must do more to ensure that diverse talent can thrive, performance matters more than 'polish' and social background holds no one back.

Vincent Keaveny CBE

Chair

Progress Together



My deepest gratitude goes to those members who have joined Progress Together in its first year, and especially the 25 pioneers who have submitted data for our inaugural analysis. My meetings with our Chair Vincent Keaveny and the many member CEOs and ExCo Sponsors have been illuminating. There is a real drive for change, whether that's because regulators, investors or employees are calling for it, or simply because it's the right thing to do.

We know there is a progression challenge in UK financial services, and this year, we saw the highest-ever rate of job vacancies in the sector. By working collaboratively as part of a network of committed employers, our members and their leaders have the power to address opaque promotion and work allocation processes within their organisations. We know greater workforce socio-economic diversity fits squarely within the 'S' in the ESG. But to evidence this to investors, standards setters, regulators and clients, the sector needs more data. We now know which question to ask (Parental Occupation at 14 - as recommended by the Social Mobility Commission), and some of our leading members are now rolling this out across their global operations. The sooner employers collect data, set a baseline, and develop targets, the sooner they can evidence impact to stakeholders.

Progress Together now has over 30 members, representing a third of the UK financial services workforce. It has been the sheer determination of those involved in the set-up of Progress Together that has led to its success. Special thanks goes to the Bridge Group, Connectr, taskforce members, our brilliant team and Board, and our 12 Founding Partners; AXA, Accenture, Allen & Overy, Aviva, City of London Corporation, EY, Fidelity International, Paragon Bank, PwC, Man Group, Santander, Schroders.

Together we will create a UK financial services sector where socio-economic background does not limit progress. In our inaugural year, we have set a baseline, I look forward to next year, when more of our members will collect and share anonymous workforce data, and importantly take the action needed for change.

Sophie Hulm

CEO

Progress Together

Introduction



This study is the largest of its kind internationally, investigating the relationship between socio-economic background and progression to the most senior roles in UK financial services. It builds on earlier studies revealing that Financial Services has the largest pay gap among professional occupations,¹ and that diversity by socio-economic background is deeply lacking across the workforce.²

Progress Together is a vital step towards a more resilient, productive and equitable workforce. In collaboration with 25 member firms, we explore findings from the data, and uncover how firms in financial services can pursue positive change. Tracking the progress of people from different backgrounds enables us to highlight, understand and address barriers – to ensure that the most talented people get ahead, irrespective of background.

These findings build on our research in other professions, including in law, accountancy and real estate. Those from Higher Socio-economic Backgrounds are hired disproportionately, they progress more quickly (despite no performance differential) and are much more likely to find themselves in the positions of greatest influence. We also know that gains in socio-economic diversity can effect positive change in other areas of diversity, most notably gender in this study. We reveal for the first time in the data that females from Lower Socio-economic Backgrounds experience a significant double-disadvantage in progression to senior roles.

To feel pride in the sector that is inherited by the next generation of leaders, those in senior positions today must take seriously their responsibilities for creating positive change. The reward will be a financial services sector that can benefit fully from the range of perspectives, experiences, and expertise that people from all socio-economic backgrounds can bring.

Nik Miller

Chief Executive

The Bridge Group

¹ <https://departmentforopportunities.org/news/the-class-pay-gap-data-analysis-2022/>

² <https://www.thebridgegroup.org.uk/research>

Financial services play a vital role in shaping the fabric of our society. The sector employs more than 1.1 million people in the UK, with the majority in banking (362,000) and insurance (358,000).³ In the most recent year, UK financial services contributed £275bn to gross value added (GVA).

£275bn

Contributed to GVA⁴

Senior leaders in this sector exercise great influence: they create organisational cultures and drive the values that inform daily decisions. This group leads the investment of personal and business assets, shaping societal standards and ideals about the ownership of capital. It therefore matters that appointments to these roles are based wholly on talent and effectiveness – rather than by factors that relate to background and do not correlate with job performance.

Who's in senior roles and how do they get there?

Progress Together launched in 2022, as an output of a Government-commissioned taskforce. It supports its members in financial services in tracking performance on socio-economic diversity at senior levels, and to understand which interventions are most effective.

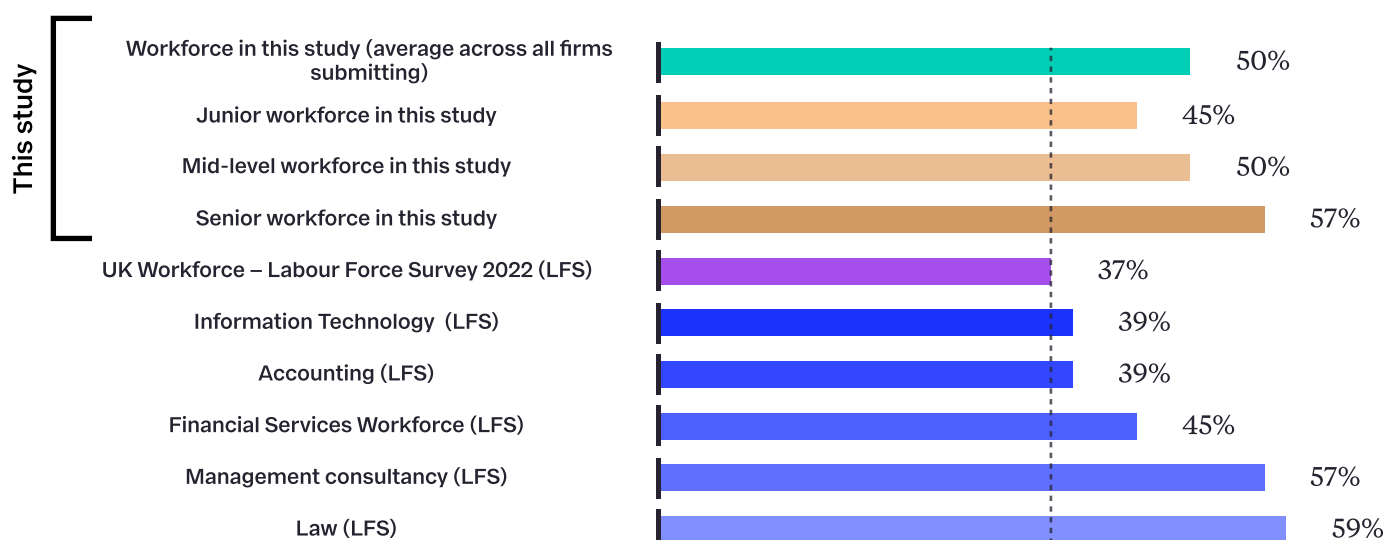
This is the first output from the annual analysis of member firms' data and practices that are currently in place. **It is the largest study of its kind internationally in financial services**, comprising 149,111 employees across 25 Progress Together member firms.

Despite emerging good practices the analysis shows that, on average, member firms are unrepresentative by socio-economic background compared with the UK workforce – and significantly so at senior levels.⁵

On average, 50% of employees (across all levels of seniority) are from a Higher Socio-economic Background, compared with 37% in the UK workforce.⁶ Among those firms collecting data on school type, on average 15% of employees attended an independent school – more than double the proportion of pupils in England at these schools (6.4%).⁷

Socio-economic diversity decreases significantly as seniority increases, as illustrated in Fig. 1 below (which includes relevant sector benchmarks). There is significant variation among member firms. More data is needed from across the sector to build a more robust picture, especially from firms in fund management, investment banking and private equity. Regulators and sector bodies can play an important role in bringing the rest of the sector to the table.

Fig 1. Proportion from Higher Socio-economic Backgrounds (in this study and with benchmarks)



³ www.thecityuk.com/media/vbhjnbmx/key-facts-about-uk-based-financial-and-related-professional-services-2023.pdf

⁴ Gross Value Added

⁵ As determined by parental occupation at age 14, see best practice guidance here: <https://socialmobilityworks.org/toolkit/financial-and-professional-measurement/>

⁶ www.ons.gov.uk/surveys/informationforhouseholdsandindividuals/householdandindividualsurveys/

⁷ <https://explore-education-statistics.service.gov.uk/find-statistics/school-pupils-and-their-characteristics>

Across the firms submitting data, the proportion of senior leaders from Higher Socio-economic Backgrounds varies greatly, from 42% to 75%. Progress Together Members have access to more detailed reporting and can anonymously benchmark against each other.

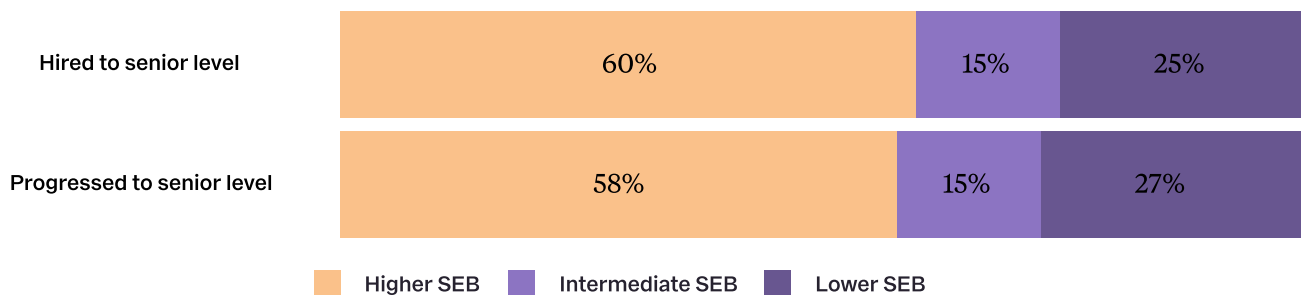
Those from Higher Socio-economic Backgrounds are more than twice as likely to be found in senior roles, compared with those from Lower Socio-economic Backgrounds. Among those in senior roles, 20% attended an independent school – more than three times the proportion of pupils in England at these schools.

Not only are those from Higher Socio-economic Backgrounds much more likely to be in the most influential senior positions; they also progress into these roles much more quickly. Focusing on diverse entry-level talent is necessary but not sufficient – employers must also focus efforts on progression.

People from Lower Socio-economic Backgrounds take on average 15% longer (or 1.3 years) to progress from middle to senior roles, compared with their peers from Higher Socio-economic Backgrounds.⁸ This finding mirrors the ‘progression gap’ in the legal sector (recently uncovered by the Bridge Group), where on average those from Lower Socio-economic Backgrounds also take 15% longer to progress to Partner – despite on average outperforming their peers from more advantaged backgrounds.⁹

The vast majority (75%) of those in senior roles are ‘experienced hires’ (hired directly to senior roles, rather than progressing to them within a firm). Experienced hiring reinforces the lack of diversity by socio-economic background, rather than improving it, as illustrated in Fig 2 below. More equal progression is key, but experienced hiring plays an even more important role.

Fig 2. Diversity of those progressing into senior roles vs those appointed as ‘experienced hires’



⁸ The progression gap identified in this study is smaller compared with the progression gap identified in the 2020 report commissioned by the City of London Corporation. However, this does not indicate a ‘closing’ of the gap over time, since the two studies are largely incomparable. This study includes a much greater volume of data (number of firms and employees) and the composition of the firms submitting data is very different – for instance, this study includes large insurance firms and many more large retail banks.

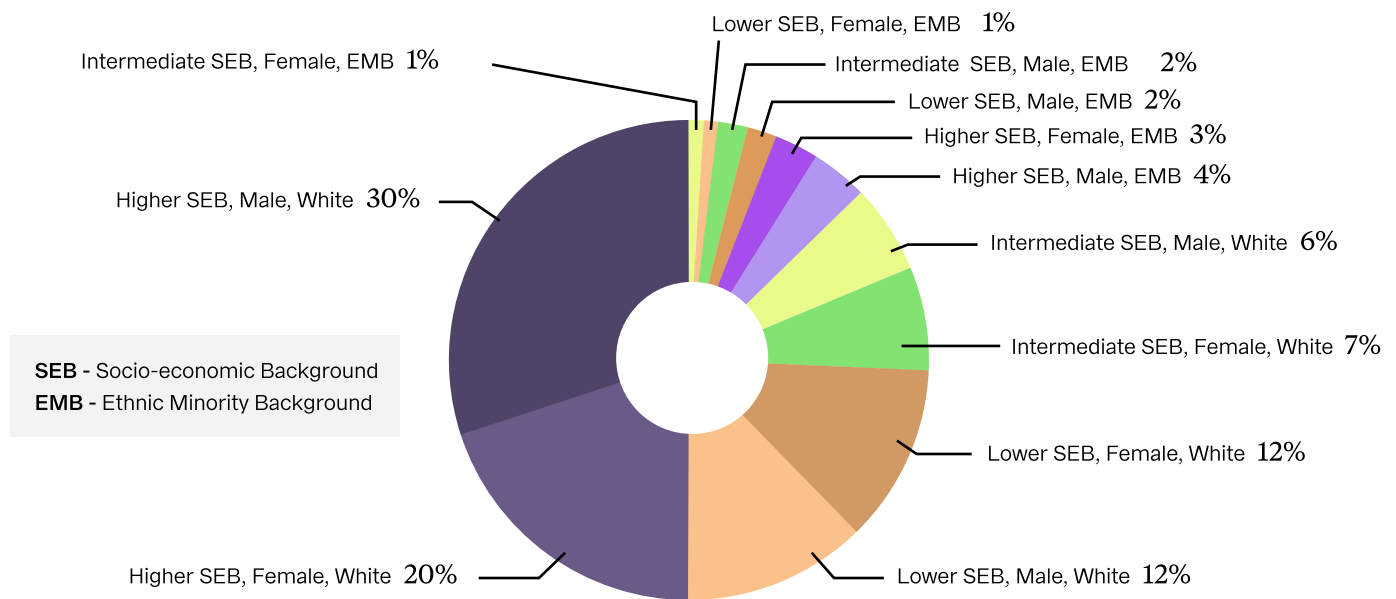
⁹ www.thebridgegroup.org.uk/research

There are important relationships between socio-economic background and other diversity characteristics. Socio-economic background has a much stronger effect on who gets ahead compared with gender (where males progress on average 2% more quickly); but females from Lower Socio-economic Backgrounds experience a significant ‘double-disadvantage’.

Females from Lower Socio-economic Backgrounds take 21% longer to progress to senior roles, compared with females from Higher Socio-economic backgrounds. This difference is much less pronounced for males (13%).

Half of senior roles are held by those of White ethnicity from a Higher Socio-economic Background, with almost one third of senior roles held by males from this background – illustrated in Fig.3.

Fig. 3. Proportion of people in senior roles by socio-economic diversity (SEB), gender and ethnic background (EMB = Ethnic Minority Background).¹⁰



There are three main contributors to the lack of socio-economic diversity in senior roles.

- The pipeline: there is a corresponding lack of diversity at junior and middle-management levels
- Unequal progression rates by socio-economic background: those from Higher Socio-economic Backgrounds get ahead more quickly.
- Experienced hiring: this perpetuates the lack of diversity, rather than contributing positively to it.

This initial analysis and evidence from the Bridge Group’s wider work highlights four practices that all firms should focus on to drive change:

- Collecting data and introducing socio-economic diversity targets, including at the most senior levels.
- Ensuring that criteria for promotion, and promotion opportunities are widely advertised within the organisation and definitions of ‘talent’ are specific and precise.
- Talent and leadership programmes that are targeted at those from Lower Socio-economic Backgrounds, and which include senior sponsorship.
- Policies and approaches that ensure greater equality in work distribution by socio-economic background.

¹⁰ Wherever possible in our studies, we disaggregate the EMB category into separate categories of ethnic background. This is not possible here due to the way in which data has been shared by some firms, and because in some instances the inclusion of ethnic background by disaggregated category risks compromising employee anonymity.

Recommendations

- 1. All financial services firms should collect socio-economic background data from their permanent workforce and regulators should strongly advocate for this.** While the dataset here represents significant progress, it includes approximately 14% of the overall UK financial services workforce. More firms need to submit data, and those participating should follow guidance to increase employee response rates (the average among Progress Together members is 49%). To improve sector representation, more data is especially needed from firms working in fund management, investment banking and private equity.
 - **Share line-by-line (anonymised) employee data that includes time-stamped promotions and fields on the regional locations of employees,** to enable more detailed and sub-sector progression and diversity analysis, and to explore the extent to which this may vary by UK location.
 - **Some of the firms engaged in this study are well positioned to pioneer the collection of socio-economic background data at the global level.** The question on parental occupation at age 14 translates to many jurisdictions outside of the UK. The Bridge Group will publish guidance on how to collect data globally in October 2023, following practices developed by firms submitting data in this study, and in sectors outside financial services.
- 2. Data must be deployed by financial services firms to drive change.** Once firms have sufficiently high response rates to socio-economic background employee data requests (at most organisations, this means a response rate of between 66% and 75%), they should undertake the following, all of which are becoming increasingly commonplace in other professional services sectors:
 - **Analyse pay-gaps by socio-economic background.**
 - **Set targets for socio-economic background diversity,** including specifically at senior levels. Pioneering firms in broadcasting, accountancy and law have applied robust methodologies and shared targets publicly, working alongside the Bridge Group.
 - **Publish data externally alongside strategies to support greater diversity and inclusion,** with reference to the practices outlined here and, in the Progress, Together Toolkit which is available to Progress Together members. A public version will be launched later this year.
- 3. Experienced hiring demands greater focus.** Senior-level external recruitment can undermine diversity gains realised through entry-level hiring, and more equal progression rates among people from different backgrounds. Progression is key, but so too is engaging Executive Search firms to compile diverse shortlists by socio-economic background.
- 4. Firms should have robust impact evaluations in place to understand which practices have the most positive effect on socio-economic diversity and inclusion.** We will explore this further in future years, but individual firms should also commit to evaluating practices and their effect on diversity and inclusion. We know from other sectors that specific practices are driving change and, while we can draw inferences from Progress Together member surveys, we recommend that firms build a stronger understanding of what is working locally. The Bridge Group has previously advised other sectors, including the legal regulators,¹¹ on how impact evaluations can be approached most effectively.

Members of Progress Together can access the full report, with methodology, and benchmarking. Glossary has been included.

Contact info@progresstogether.co.uk or visit www.ProgressTogether.co.uk to find out more.

¹¹ <https://legalservicesboard.org.uk/news/legal-regulators-must-better-understand-the-impact-of-diversity-programmes-if-we-are-to-drive-meaningful-change>

Appendix: Guidance on the language relating to socio-economic background

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 measured objectively by capturing information on, for example, the type of school individuals attended, whether they received free school means and their parents’ occupation and level of education.	This term facilitates fair and objective 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 than socio-economic background.
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 females 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 on the wider workplace and its policies, processes and working culture.
Meritocracy and merit	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 above).	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 tells us that it may be correlated with longer-term exposure to something and opportunities to learn and practice.	It may be more helpful to focus on merit, which focuses on what a person achieves.

Technical Annex

www.thebridgegroup.org.uk/research/progresstogether/annex

Socio-economic background

Higher socio-economic background

Parental occupation categories

- Modern and traditional professional occupations
- Senior, middle, or junior managers or administrators

Intermediate socio-economic background

- Clerical and intermediate occupations
- Small business owners who employed less than 25 people

Lower socio-economic background

- Technical and craft occupations
- Routine, semi-routine manual, and service occupations
- Long-term unemployed (claimed Jobseeker's Allowance or unemployment benefit for more than a year)

Level of seniority

Example job titles

Senior

- CEO
- Director
- Head of department
- Retail branch manager
- ExCo

Middle

- Senior manager
- Manager
- Team Leader

Junior

- Associate
- Assistant
- Officer
- Graduate
- Apprentice