



Financial Services Culture Board (FSCB) response to the joint Discussion Paper from the FCA, PRA and BoE: *Diversity and inclusion in the financial sector - working together to drive change*

September 2021

The FSCB

We welcome the opportunity to respond to the discussion paper DP 21/2: [Diversity and inclusion in the financial sector - working together to drive change](#) and outline our work with members to help drive greater understanding of and progress on diversity and inclusion in UK financial services.

The Financial Services Culture Board (FSCB), previously the Banking Standards Board (BSB) was established in April 2015 and opened for membership in January 2016. In April 2021 we became the FSCB, reflecting the expansion of our membership remit.

We are an independent, private sector, not-for-profit, membership body. Our purpose is to help raise standards of behaviour and competence across the financial services sector, to the benefit of customers, clients, the economy and society as a whole. By choosing to join us, boards and leadership teams show their commitment to owning and managing the culture of their firm, as well as raising standards of behaviour and competence across the sector.

A key part of the work we have been doing with our members since inception has been to gather demographic data to help them better understand the experiences of different groups when they describe their organisations' cultures. The FSCB Assessment, a major part of our work to date, offers a unique insight into culture in the sector and how different people working in the industry experience it. We now have six years' worth of data from over 330,000 responses, measuring a range of cultural issues from a diverse set of perspectives. As part of our Assessment, we also gather data on inclusion and exclusion among different groups and are developing insights on intersectionality based on our dataset.

Beyond data gathering and analysis, we work practically with our members to help them share learning and develop ways to make progress on different aspects of D&I. We have run several workshops to train employees in the use of ethnography to identify potential cultural barriers to inclusion. We have also worked on a bespoke basis with firms to run interventions to change aspects of their culture, and recently ran a large enquiry to understand how experiences of the pandemic might usefully inform future working models, including inclusive hybrid working practices. We share the insights from such exercises across our membership.



Our response to the discussion paper is structured as follows:

- i) Section 1: answers to selected specific questions in the discussion paper.
- ii) Section 2: some insights from our own research and data.

We hope that this response will help inform the direction of the PRA, FCA and the Bank of England on diversity and inclusion in the financial sector and we look forward to working further with you and our member firms to accelerate the pace of meaningful change in this important area.



Section 1: Response to specific questions

Q1: What are your views on the terms we have used, how we have defined them, and whether they are sufficiently broad and useful, now and in the future?

We welcome the focus in the discussion paper on diversity of thought. A diversity of people gives the platform on which diversity of thought can be created. But it is important that any discussion of diversity of thought is not limited to who is represented in an organisation, but also to how they are involved in the organisation and able to work within its culture. For example, are different people involved in decision-making, able to challenge or speak up? Have groups of people worked together for a long time, not disrupted by new ideas or new people joining teams?

Culture and people's experience of it matters. It is important to consider how inclusive cultures enable diversity of thought. The sector should be developing ways to understand how inclusive (or not) it is and how this manifests within firms.

Our Assessment includes a Survey comprising 36 core questions; one of these questions offers a starting point: '*At my work people seek and respect different opinions when making decisions*'. In 2020 9% of respondents said that people at work did not seek and respect different opinions.

A deeper analysis of this question exposes differences of opinion based on demographics and protected characteristics. For example, newer hires are typically more positive in response to this (and indeed most) questions than longer-serving employees. Employees with a disability responded more negatively to this question compared to those without any disability. Compared to White British respondents, Black respondents and those of mixed ethnicity are less likely to feel people at work seek and respect different opinions.

Q3: Do you agree that collecting and monitoring of diversity and inclusion data will help drive improvements in diversity and inclusion in the sector? What particular benefits or drawbacks do you see?

We welcome moves towards a more standardised baseline of diversity data in the sector. Agreement on the importance of this between sector and regulators will be necessary to effect change.

The power of diversity data is that it can be used to identify where particular groups are under-represented. However, it is much more powerful if combined with inclusion / wider culture data that highlights the experiences of people working at firms. This in turn allows a deeper exploration of inclusion, and a better understanding of how barriers to greater diversity manifest themselves.



For example, we combined the data from our Survey with further qualitative research, which together highlighted investment banking cultures as environments where women experience greater barriers to gender equality than in other areas of banking. Through combining the evidence from different parts of our Assessment, we were better able to understand why such barriers existed. This led us to develop an ethnography programme to support front-line practitioners in observing such barriers for themselves and helping to create a mandate for observations to be discussed with senior leaders. This methodology facilitates the development of more nuanced and targeted approaches than would be achieved by using diversity statistics alone.

Q4: Do you have a view on whether we should collect data across the protected characteristics and socio-economic background, or a sub-set?

Our annual Survey gathers a wide set of demographics, including on protected characteristics and socio-economic background, as well as tenure in the firm or industry. We agree that this provides useful and meaningful data, made much more powerful when combined with data that measures inclusion and other aspects of organisational culture.

We note that there are now several data-gathering initiatives. In addition to our own, we are playing an active role in supporting the Financial Services Skills Commission inclusion measurement index and the City of London's Task Force to promote socio-economic diversity at senior levels in financial and professional services. The regulators' support of this work is welcomed. It will be important to ensure that we collectively minimise the number of data requests for firms and seek to combine datasets wherever possible (while of course preserving the anonymity of Survey respondents).



Section 2: Our work on D&I

2.1 Evidence and data on D&I from the FSCB Employee Survey

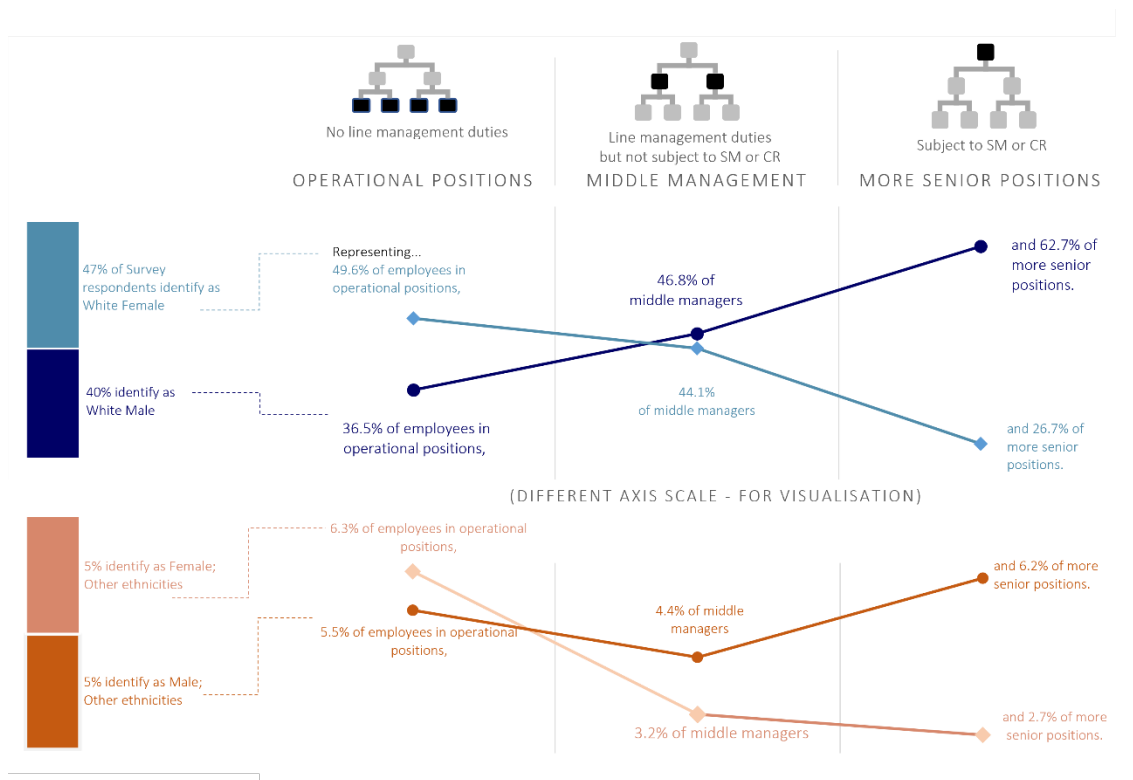
Our annual Survey covers a large sample of the banking employee population in the UK. In the six years that we have run this exercise - from 2016 to 2021 - we have gathered over 330,000 responses from people working in UK banks and building societies. This allows us to build rich pictures of the culture in banking, in specific firms and in parts of firms.

Our Survey also collects data on gender, tenure in banking and financial services (and thereby indirectly on age), and more recently ethnicity, sexual orientation, religion, disability and socio-economic background. This allows us to understand:

- 1) how different groups are represented within the hierarchy of organisations, and
- 2) differences in the experiences of different types of people in banking when they describe their perceptions and experiences of their organisations' culture. If we want to change the experiences of different types of people in financial services, we need to understand more clearly what these experiences are.

A wide range of analysis can be drawn from our dataset that has relevance to D&I. Set out here is a sample of such analysis. For more information, please visit our [website](#).

Gender: Our 2020 data revealed that, although the gender split appears somewhat balanced on the surface, women are still underrepresented at more senior levels. These gaps are even greater when ethnicity is considered.





Source: [A balanced gender picture conceals a multitude of differences – and even more so when ethnicity is taken into account](#)

Ethnicity: The demographic data we collect allows for analysis to understand the viewpoints of minority ethnic groups in the UK banking population. A notable example of this is from our 2020 data showed that people from minority ethnic groups express consistently more negative perceptions of honesty and speaking up. For example, more say 'it is difficult to make career progression in my organisation without flexing my ethical standards' and that they see 'unethical behaviour being rewarded' (8% of White British respondents saw instances of unethical behaviours being rewarded, compared to 16% of Arab respondents and 15% of Asian respondents).

Furthermore, 9% of White British respondents felt it was difficult to make career progression without flexing their ethical standards compared to 23% of Asian and 23% of Black respondents. While 9% of White British respondents said that they did not feel comfortable challenging a decision made by their manager, this rose to 13% of Asian respondents, and 15% of Black respondents.

Further details of our regression analysis can be found in Annex A to this paper.

Disability: We first asked demographic questions to identify disabled respondents in 2020 and now have two years of Survey data on this. We classified respondents as being disabled where they told us that they have a long-term illness or conditions that impact on their ability to carry out day-to-day activities.

Disabled people, on average, had poorer perceptions of culture than non-disabled people across all measures of culture in our Survey.

Our data from 2020 showed that only c.8% of our respondents are disabled, which is a very low number relative to the proportion of disabled people of working age in the UK (c19%).

Our survey showed that across the sector, disabled people, when compared with non-disabled people, are under-represented in senior roles and over-represented in customer-facing roles, which tend to be more junior.

- 15% of disabled people are line managers compared to 28% of non-disabled people.
- 1.1% of disabled people fall under the Senior Managers Regime, and 2.9% under the Certification Regime, compared to 2.3% and 5.6% of non-disabled people respectively.
- 46% of disabled respondents work in customer-facing roles compared to 40% of non-disabled respondents.

Across our core Survey questions in 2020, the responses of disabled employees were less positive than those of non-disabled respondents.



Controlling for other demographic characteristics (e.g. gender, ethnicity, business area, tenure etc), the characteristic of being disabled accounted for greater differences between scores than any other characteristic, across all our Survey questions (including questions relating to how firms handled the pandemic).

2.2 Additional questions and new perspectives

Beyond the 36 core Survey questions, we ask additional questions every year on various themes. Diversity and inclusion has been a core theme for several years.

Gender equality of opportunity

In 2018 we explored perceptions of gender equality in banking, using our Survey and further grounded theory methods applied to focus group data. We found that in firms where perceptions of gender equality scored higher, the firm taking ownership and action related to it was perceived to be important by employees.

We were interested in understanding how employees perceived gender equality of opportunity within their firm. We used our Survey responses and additional focus groups to explore gender equality; in the former to get a sense of employees' perceptions, and in the latter to try to understand what might shape these perceptions and distinguish environments that were seen as more equal from those that were regarded as less so.

Our Survey showed that a large majority of employees (79%) thought that people in their firm had equal opportunities regardless of their gender. Overall (men and women), 12% thought that this was not the case, while the rest were neutral. When we look at this result by gender, among women, 12% thought that opportunities were unequal, compared with 9% of men. Almost all women who said that opportunities were unequal, said that men had the greater opportunities at their firm. Among men who perceived there to be inequality of opportunity, just over two-thirds said that women had greater opportunities than men.

We used a grounded theory approach to compare views expressed in focus groups drawn from high and low-scoring business areas within participating firms. In focus groups drawn from lower-scoring environments, employees were more likely to describe a lack of gender equality as a sector-wide problem, and less likely to say that more needed to be done to improve gender equality in their firm. They were more likely to say that their firm had an explicit focus on hiring women and more likely to express concern about positive discrimination (an issue that was also raised in higher-scoring environments, albeit less frequently).

Conversely, employees from higher-scoring business areas were less likely to refer to gender inequality of opportunity as a banking sector problem and more likely to say that their own firms needed to do more. They were more likely to describe senior-sponsored initiatives at their firms to improve gender equality, and programmes designed to raise awareness of gender imbalances.



We may infer from this analysis that, where leaders are open with employees about the steps they are taking to promote equality of opportunity, perceptions are likely to be more positive. This appears to be associated with senior leaders being seen to take personal responsibility for the challenge, and employees seeing it as an issue to be faced within their firm rather than excusing it as an industry problem. Drawing attention to gender inequality as a problem for the firm, and being self-aware – self-critical, even – of the firm’s own progress, promotes confidence that the company has a greater commitment to equality of opportunity.

Inclusion within firms

More recently we asked a number of questions to understand broader issues of inclusion and exclusion in banking. Only employees can express how they feel: *Am I accepted? Am I valued? Do I feel psychologically safe to speak up? Do I feel a sense of belonging?* When we look at the data from the perspective of respondents’ ethnic groups, Black and Asian employees, as well as those from mixed ethnic groups responded more negatively to individual inclusion questions than White British employees.

We know from data previously collected that Black and Asian employees are more likely to remain silent than their White colleagues when it comes to raising concerns, highlighting the need to improve inclusion practices so that all colleagues feel safe to be themselves and speak openly. In contrast, other questions showed no significant difference between different ethnic groups (e.g. on whether people feel able to use their initiative and judgement, once other factors had been controlled for). By analysing our data in this way, we can propose more targeted interventions.

Creating a deeper understanding of inclusion

We are partnering with the Financial Services Skills Commission (FSSC) to gather insights on employee experiences of inclusivity to produce inclusion benchmark data across firms in financial services. This will be done through an upcoming pilot survey to be run in autumn 2021 based on the FSSC Inclusion Measurement Guide and our own existing findings on D&I. We will be surveying 14 FSCB and FSSC member firms, including a combination of banks, building societies, insurers, asset managers and chartered bodies, at a census, or representative sample, level across firms’ employee bases. The survey covers themes such as: inclusive leadership, speaking up and inclusive systems and processes, all of which are referenced as priorities in the discussion paper.

The survey will also ask a set of demographic questions, which will allow us to understand the experience of different groups inside the firm and the diversity of the surveyed population. It will also ask questions on socio-economic background to inform our existing work in this area, and in line with the City of London Corporation Socio-economic Diversity Taskforce’s plans. All questions will be cognitively tested beforehand.

We will provide participating firms with firm-specific reports and also publish an anonymised cross-firm summary report with the FSSC.



Section 3: Our further activities and initiatives

We are undertaking a range of deeper analysis and exploratory studies:

Understanding intersectionality inside a firm

Alongside looking at the main protected characteristics, it is important to understand people's experience of a firm and its culture from the intersection points of people's identity as well as their position and tenure. Understanding intersectionality will be our new focus going forward.

Having expanded our collection of demographic data over the past several years, we now hold a valuable data set for the study of D&I in financial services. We now have a larger sample size (in relative terms) for the study of intersectional populations, those that typically have a small 'n'. (i.e. the overall population is small). This enables us to generate insights that are more challenging for individual firms that have small populations of certain minority groups to obtain.

While we have observed that across the industry women tend to be more positive about their firm across most core Survey questions, our analysis has shown that White British women are significantly more positive than women who are not White British; particularly on questions related to inclusion and respect.

Ethnography

Ethnography is a qualitative anthropological methodology that lends itself to understanding previously unseen and often unnoticed cultural norms inside corporate environments. We see ethnography as an important tool to help firms understand their organisational cultures because:

1. cultures within firms that inhibit inclusivity may often go unnoticed, and
2. ethnography can unearth valuable new insight that cannot be sourced through surveys, focus groups or interviews.

In March we concluded our first Change Ambassadors ethnography training programme, facilitated by leading financial services ethnographer, Dr Daniel Beunza, across 23 investment bank employees. The programme trained employees to perform ethnographic observations to gain a deeper understanding of the cultural barriers to gender diversity and inclusion within their organisations.

We used this approach to support firms and explore gender diversity inside investment banking. We focused on this area because we had observed that women in investment banking were generally more negative than male counterparts on most of our Survey questions. This is the inverse of the wider sector, where women are generally more positive than men.

The programme has generated novel insights, which, if confirmed through further observation, could be valuable in developing issue-specific culture solutions design within



and for firms - for example, shaping what behaviours to 'nudge' in behavioural interventions, or adapting how HR initiatives are built and then communicated to employees.

The second iteration of the Change Ambassador ethnography training programme will run in early 2022, continuing to focus on the theme of diversity and inclusion and help guide firms to conduct internal ethnographic observation and assess practices, interventions and their outcomes and impacts.

Learning from the pandemic for inclusive hybrid working

Since March 2020 there have been huge non-discretionary changes in the world of work in response to the pandemic. As firms and their people adapted, conversations quickly started to turn to 'what next for the workplace?' We sought to bring together member firms to consider this issue from an organisational culture perspective.

We undertook a three-pronged research approach to understanding what could be learnt from experiences of working through the pandemic. This included our initial review of two broad perspectives: industry-wide results from our 2020 Survey and a bespoke, qualitative enquiry conducted with 27 employees from four participating member firms.

The work identified a range of findings:

- Some elements of inclusion have improved due to changes in ways of working during the pandemic, but some people continue to feel excluded. Work-life balance, collaborative working relationships and involvement in decision-making are reported to have improved. However, many still feel excluded from this experience and the prevailing narrative it represents.
- Building and developing social capital is harder in a dispersed working environment. People who are new to their role, joining an organisation, integrating into a new team or learning a new role can all struggle in a dispersed model.
- Socio-economic diversity impacted on employees' working experiences in ways that, prior to the pandemic, may not have been relevant to their employers. This includes (but is not limited to) unequal experiences of dispersed working, detrimental mental health experiences, poor working environments and caring responsibilities.
- Decisions being taken about the future of workplaces may be made by those with more socio-economic privilege than those who will be affected by those decisions.

Events

Our events programme brings together firms, academics, practitioners, regulators, subject matter experts and others to talk about challenges and emerging good practice when it comes to managing organisational culture. Recent events that focused on aspects of D&I have included:

- [Social Mobility in Financial Services](#) looked at how firms might benefit from employing and upskilling ex-offenders and those without homes. This event



featured speakers from our member firms, charities and businesses in other sectors who have done work in this area.

- [Ethnic diversity and inclusion in the workplace](#) focused on practical ways in which firms could learn from each other's work.
- During Pride Week, we held an event on the theme of 'Being LGBTQ+ in the workplace', looking at the challenges LGBTQ+ people face in the corporate environment in 2021, which brought together FSCB colleagues and employees from our member firms. We have also hosted events as part of Black History Month, looking at the representation and experience of ethnic minority groups in financial services.

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