



Socioeconomic Diversity in the Investment and Savings Industry

A STUDY INTO THE BARRIERS AND HOW
THEY CAN BE OVERCOME



Commissioning research into social mobility

The Diversity Project Charity¹ supports charities and research furthering the Trustees' social mobility, inclusivity and diversity aims, to develop approaches which will benefit society as a whole. We commissioned this report, the result of a grant by us to The Social Mobility Foundation², to investigate the extent to which the investment industry lacks diversity in terms of social and economic background (which we refer to as SEB) and what can be done to address this, to build a more inclusive industry for the future.

Executive Summary

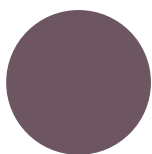
The investment industry is not diverse by socio-economic background (SEB).

In 2014, a study conducted by the Boston Consulting Group found that 60% of leaders in City of London finance careers had been privately educated, compared to just 7% of the UK's general population³. The same study discovered that this was also true for the leadership of hedge funds and other asset management firms and that there was no evidence that this was changing over time. In fact, privately educated leaders were more heavily represented in under 45s (72%) than in the over 55s (57%). A study commissioned by the Diversity Project was conducted by Mercer in 2017, this study found that just under 40% of investment managers were educated privately.⁴

There is also notable evidence that individuals from less privileged SEBs working in financial services suffer a significant wage penalty throughout their career. Research by Friedman and Laurison suggests that those from less privileged backgrounds are earning over £11,000 less than their peers from more privileged backgrounds, this gap increases for those starting from the least privileged backgrounds.⁵

Not only does the industry lack representation for those from less privileged SEBs, but the industry noticeably lacks ethnic diversity; whilst these are two separate issues, it's important to note that there is an overlap between the two.

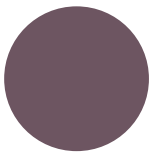
The above studies conclude that the investment industry is not yet representative of our society as a whole and that there is currently no evidence to suggest that we are moving towards a more inclusive industry. This report acknowledges that some firms in the industry are actively addressing this issue, see the Case Study section at the end of this report as examples, but a more conscious effort from the industry as a whole is needed, and Covid19 risks worsening the situation for the less privileged in our society.



It is also evident that organisations will need prompting if we wish to see change, and as per the findings in this report, individual firms may find it difficult to take action on their own. Collaboration across the industry is needed, we must work with clients and other stakeholders if we want to drive successful change. This might be aided by increasing scrutiny on all organisations around some of these issues from the media and the regulator.

The study summarised in this paper compromised 48 in-depth interviews conducted by the author of this report between November 2019 and March 2020 led by Dr Louise Ashley, Royal Holloway, University of London. In total, 42 interviews were held with individuals currently working in the industry and six with individuals who had unsuccessfully attempted to access the industry.

More details on the interviewees and definitions of SEB are included in the fuller version of this report, together with more in-depth detail on how the research was conducted and the findings. Please contact info@diversityprojectcharity.org for the full version.



Key Findings

The report looked at barriers to entry and impact on career progression.



BARRIERS TO ENTRY

- **Lack of social capital needed to access the industry** - individuals lack knowledge of the industry or perceive a lack of fit. It can also be difficult to access relevant work experience without well-established networks. At the same time, hiring firms may have preferences for elite universities and may look for a certain 'polish' in new recruits which may favour more privileged applicants.
- **Sorting effects** - individuals either sort themselves into particular types of roles or hiring firms may do this on their behalf. For example, students may decide that a portfolio management role is a right fit for them, as they don't see people who are similar to themselves in these roles already. Similarly, organisations may funnel applicants from non-Russell group universities into back or middle office roles rather than considering them for client-facing or investment roles.
- **Selection processes which perpetuate the status quo** - one example being the focus on Russell Group universities, especially for firms located in London and the South East. Once called for interview, questions around school and hobbies can



privilege certain individuals. Lack of work experience and financial knowledge can be additional barriers to successful entry to internships or graduate programmes, which again favour certain socio-economic groups. Some firms are attempting to address some of these issues but have focused themselves more on the supply side (encouraging more people from a diverse range of backgrounds to apply), rather than addressing the structural barriers that are within their hiring processes.

- **Lack of data** - firms do not routinely collect data about SEB and therefore, attempts at contextual recruitment or CV blind interviewing cannot be readily evaluated.



BARRIERS TO PROGRESS AND RETENTION

Once in the industry, individuals from less privileged backgrounds face more barriers to their progression. These include:

- **Ongoing sorting effects** - access to more prestigious roles (either seniority or higher-paid) is often restricted to those with more privileged backgrounds. Assumptions are often made about what clients expect from a client-facing individual in terms of polish and confidence, which go unchallenged.
- **The 'meritocracy myth'** - many in the industry will argue that merit will win, while at the same time acknowledging the relationship between SEB and career

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“(For client-facing roles) when we hire each year a new cohort of people to come into the business, that cohort is materially... I would say almost universally more privileged than the average... when we hire people for what I'd say are operationalised functions, that's much less so.”

“(The) interview process is really geared towards people who've got parents who can sort out internships with seven different banks before they come here. Then they've obviously got a lot more impressive stuff to say in an interview than someone whose parents own a shop.”

“The majority of our clients are... men... I suspect generally middle class... clients want somebody, in their words, credible, experienced, somebody that is just smooth... ...but I think it often also creeps in being an attribute of somebody posh because they've got this confidence”

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progression. The meritocracy myth goes unchallenged by those in the system for whom the status quo favours and who do not recognise the barriers those less privileged than themselves have to face.



- **Lack of belonging** - organisations are described as having hostile cultures for people with less privileged backgrounds as the latter often do not share the same interests or experiences as the privileged majority. This can make it increasingly more difficult to build relationships and network within the industry.
- **Micro-aggressions** - regular slights or exclusions can undermine confidence and may deter individuals from putting themselves forward for new opportunities.
- **Low job turnover** - low turnover of professionals, particularly in client-facing and portfolio management roles makes it difficult to make rapid progress on SEB diversity, particularly if the focus of initiatives is on entry-level roles.
- **Apprehension surrounding discussing SEB or social class** - many people feel uncomfortable discussing social class at work. They either lack the vocabulary or feel that it is impertinent to talk about someone's class.
- **Structural and systemic barriers** - often it is the unintended effects of processes, structures and cultures that lead to unequal outcomes and opportunities, rather than deliberate individual acts of discrimination. For example, minimum A-level grades or degree type can lead to the automatic exclusion of many candidates before they even reach the interview phase.

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“I think I always thought that (progression) was based on intellect, technical ability and working hard. That was the wrong perception clearly... I saw there were a whole load of other skills or personality traits or politics that had begun to determine outcomes here...”

“I deliberately changed in terms of my accent. I guess it is different now but my real accent obviously comes out now and then... it's that thing of people thinking you are less intelligent, unconsciously maybe but still. Or they can't believe you have a degree.”

“As a posh white guy... people definitely think I've got more gravitas than I do”

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PRESSURE FOR CHANGE

This report does not rehearse the benefits of diversity, but it is clear that the case for change will need to be strong to overcome some of the perceived risks outlined above; in particular, the perceived link between social class and credibility.

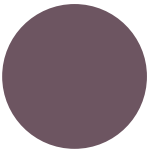
Creating change will require strong beliefs and both creativity and courage. Collaboration across the industry and with clients addressing these issues collectively is the key to making meaningful change.

Recommendations

RECRUITMENT

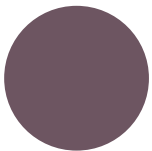
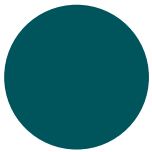
Use one of the tools available to benchmark current activities and effectively plan and evaluate future actions. (e.g. Social Mobility Index⁶ and/or Social Mobility Toolkit⁷ published by the Social Mobility Foundation).

- Collect and analyse more robust data around diversity in both recruitment and selection processes.
- Use contextually-adjusted A-level grades and CV-blind recruitment practices.
- Share what works well with your colleagues and peers.
- Support the hiring managers around their 'riskier' selection decisions.
- Challenge hiring managers around the concept of 'fit' which can lead to homogenous hiring decisions.
- Limit informal 'friends and family' type work experience and provide opportunities for less privileged candidates.
- Raise awareness of the industry by working with organisations like Investment2020⁸, UpReach⁹ and the Social Mobility Foundation.
- Collaborate around changing the perception of the industry to encourage broader applications with a particular focus at increasing opportunities in client-facing and investment roles.



TALENT MANAGEMENT

- Share this study internally to raise awareness of this issue.
- Include SEB and social class within your D&I strategy - consider both access and career progression.
- Make your D&I strategy part of your overall business strategy; provides training for managers and reward success.
- Identify role models and their stories - across the industry if necessary - to demonstrate routes through.
- Collect data from current employees in relation to SEB. Go beyond schooling history and look at the parental occupation. Understand how SEB impacts their career choices and progression and share the findings to encourage action. Challenge the 'meritocracy myth'.
- Consider how talent is defined and whether it perpetuates the status quo.
- Consider how performance measurements entrench or respond to unequal career opportunities and whether they are objective around latitude and skill; avoid more subjective definitions.
- Collaborate with others, whether within the industry via the Diversity Project or with groups in other sectors, for example, Access Accountancy, and external experts.
- Collaborate with clients and ask them what they look for in an advisor and/or portfolio manager. Share this research with clients and ask for their support in addressing the issues identified.



Case Studies

INVESTMENT 2020⁸



Investment20/20 is a multi-award-winning talent programme tailored to the investment management industry. It focuses on attracting, recruiting and developing graduates, school and college leavers from a wider diversity of socio-economic, ethnic and subject matter backgrounds. To date, they have helped over 1,600 young professionals start their career in finance with the Investment20/20 one-year Trainee programme, 2 in 5 of which are from ethnic minority backgrounds and 9 out of 10 from state schools. At the end of their traineeship, three-quarters of trainees are offered a permanent position and go on to develop their careers within the sector. Investment20/20 has an extensive outreach programme raising awareness of investment management with students who would otherwise not have considered their future in investment management. It's Think Investments and work experience pre-employment programmes help to support young people without industry networks and help increase their confidence to aid them in successfully applying for industry entry-level programmes.

INVESTMENT AND SAVINGS SPRINGBOARD⁹



The Investment and Savings Springboard is a programme developed by the Diversity Project's Early Careers workstream in conjunction with UpReach¹⁰, a social enterprise which looks to support students from less-advantaged backgrounds gain employment in a number of professional and financial services sectors. The programme involves contextualised application processes which are used to identify suitable undergraduates. The students are assigned a mentor from within the investment and savings industry, receive information about the industry at events held in the City, access work experience opportunities and additional support to make a successful application to internships and graduate programmes.

In its first year, 97% of the students made applications to the industry and 99% of those felt that their Springboard experience improved the strength of their applications. Around half of the students obtained internship places in the industry and we are looking to increase that proportion with the next cohort by ensuring that the application processes used by firms are not, unintentionally, screening out these candidates. Those organisations that offered the most mentors, work experience placements and hosted events received the highest number of applications. Of the student's on the first year's programme, 71% identified as BAME, 75% had a family income of under £25000 per year, 74% were the first generation in the families to go to university and 52% were eligible for free school meals.

INVESCO¹¹

Whilst Diversity and Inclusion is front and centre of the minds of many of us within the Financial Services industry, social mobility is often overlooked and there is still a risk that for many young people 'The City' and the sector as a whole is perceived as elitist. If students cannot see people who look and sound like them, then there is every reason for them to question whether they could hope to thrive within the Industry. Data is still highlighting that 80% of people from better-off backgrounds are more likely to make professional jobs than those from a working-class background and there is a growing recognition that social mobility requires a greater focus.¹²

Partnering with The Investment 20/20 programme has helped us at Invesco step-up to the challenge of recruiting talent from broader backgrounds, providing access to a greater proportion of state-educated students and ensuring that we focus on potential beyond polish. We have benefited from many bright, capable and committed young people joining the firm and hope to broaden our outreach within schools and universities that may have been overlooked in the past.

SCHRODERS¹³

Last year we introduced a new process to improve our early careers recruitment process and reduce unconscious bias. Given we take a long-term approach, a key part of our approach is to consider future potential. We invite candidates to sit a number of digital assessments to test logical thinking and problem-solving, as well as a bespoke Situational Judgement Test. They also complete a personality questionnaire mapped to our values.

Hiring managers receive a system-generated report which summarises candidates' results giving a more objective view of each candidate. Candidates who reach a certain benchmark in the tests are invited to complete a video interview where candidates are scored against a standard set of criteria. This, alongside the contextualised scores applicants, are able to share, gives us an innovative solution to deliver a more robust, objective, and fair recruitment process.

Over 2000 candidates have gone through the online tests. Completion rates are high at 98% as candidates enjoy the process and are motivated to complete the assessments. Based on the data so far, we have found no adverse impact in terms of gender or ethnicity. We continue to monitor diversity-related data to ensure we are delivering an assessment process that is fair to all candidates and to widen opportunities for a broader range of people wanting to join the asset management industry.

FIDELITY INTERNATIONAL¹⁴

At Fidelity, we believe that an individual's background shouldn't dictate the opportunities that are open to them. We recognise that we need the talent, energy and balance that comes from a fully diverse workforce and a culture of inclusion to build better financial futures for all our clients.

The Early Careers team has been working with a range of partners for some time to turn the dial on social mobility. This year, we decided to set a framework to enable us to deliver greater progress, bringing together senior leadership, grass-roots engagement and a data-led approach.

Our Global Diversity & Inclusion Leadership Council directs the development, implementation and oversight of the Diversity & Inclusion strategy and agenda at Fidelity, including defining global priority strands, such as Gender and LGBT+ Inclusion.

This year, the Council decided to establish an additional Social Mobility strand to ensure that everyone has an equal opportunity to join, build a career and thrive at Fidelity, regardless of social background. The strand has an Executive Sponsor and a Lead who will develop the strand's vision, goals and action plan.

To enable us to take an evidence-based approach to improve social mobility, we began to measure the full diversity of our global workforce, including social background, in January 2020. We now know that our UK workforce is broadly representative of the social makeup of wider UK society, but that people from more socially disadvantaged backgrounds are under-represented in some areas of our business. We are using this insight to set priorities for improvement and track our progress on improving social mobility.

Fidelity For Everyone UK, our grass-roots Diversity & Inclusion Network, has also established a Social Mobility stream which will raise awareness around social mobility, provide peer support to colleagues from more disadvantaged social backgrounds, and involve employees in volunteering for our Early Careers outreach programmes to open up access to careers in asset management.

WILLIS TOWERS WATSON¹⁵

As well as paying close attention to social mobility and background at the hiring stage, at Willis Towers Watson we also consider its implications for talent development.

A specific example is the selection process for our Emerging Leaders Programme. Developing future leaders that better represent society (our communities and our clients) is a priority for our business.

The very first stage involves scoring all eligible colleagues against four criteria. It is important for managers to be aware at this stage that high potential does not necessarily equal high performer, and also that the definition of a “leader” is broad and varied. The purpose of this screening and subsequent calibration is to make sure that we don’t just select the candidates that are most visible because they have been given more opportunities to shine, or those that can perfectly articulate their aspirations.

The candidates that are identified as suitable through this scoring process are then invited to participate in an assessment day. Not only do we use a diverse panel of business assessors, we also partner with external business psychologists in order to provide diverse perspectives, structure and challenge to the process. These partner assessors work closely with the Global Investments I&D Director to ensure that we do everything we can to identify and remove bias from the selection. This includes a range of structured evidence-based assessments, weighted to avoid placing emphasis on any one competency. We also pay very close attention to whether we are over-weighting “polish”, so we heavily calibrate to ensure that we are rewarding what someone said, and not how they said it. Without any targets or quotas, this process naturally gives us a good mix of people across the diversity spectrum and the programme itself is much richer because of the range of experiences and perspectives.

About the Author



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Is a senior lecturer in organization studies at Royal Holloway, University of London. She specialises in researching the implementation and development of diversity and inclusion programmes in large, multinational professional service firms, with a particular focus on gender, ethnicity and socio-economic background.

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We would like to thank the following organisations
for helping or taking part in the study

INVESTMENT 2020
YOUR FUTURE IN FINANCE

upReach



Schroders



Willis
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S_CIAL
MOBILITY
F_UNDATION



CREATING AN INCLUSIVE CULTURE
IN THE INVESTMENT PROFESSION

For further information, please go to
www.diversityprojectcharity.org

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