Socio–Economic Diversity Taskforce

CITY OF LONDON

Building the Baseline: Breaking the Class Barrier

Measuring socio-economic diversity at senior levels in UK financial and professional services

Produced with support from accenture

August 2022

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Preface

This report was produced by a Government commissioned taskforce led by the City of London Corporation. The taskforce, which concludes in November 2022, aims to boost socio-economic diversity at senior levels across UK financial and professional services.

We know from an earlier research study[1], which surveyed employees across eight financial services firms, that there is a significant career progression gap between employees from working class and professional backgrounds[2]. To build on this evidence, the taskforce has increased the dataset, looking at the UK's wider financial and professional services sector.

Surveying over 9,000 employees across 49 organisations, this report establishes a baseline of socio-economic diversity at senior levels (defined as Board, Executive Committee, Partner or two levels down) across UK financial and professional services.

This data provides new insights into inclusion and how socio-economic background intersects with other personal characteristics, such as ethnicity and gender.

This evidence uniquely focuses on senior level socio-economic diversity across both financial and professional services. It also corroborates existing data sources from regulators, sector bodies, and individual organisations that cover over 300k employees across UK financial and professional services.

Though this data is not representative of the entire sector, it provides a good starting point. Importantly, this survey has prompted many organisations to collect this type of diversity data for the first time. Data collection on senior level socio-economic diversity is significantly lacking within financial and professional services. We hope, through promoting this baseline, to instil the practice.

FOREWORD

Catherine McGuinness
Chair of the Socio-Economic Diversity Taskforce

The financial and professional services sector is one of the largest contributors to the UK economy, employing over 2.3 million people across the country, serving families and communities and acting as an enabler to other businesses.

The sector is, however, at risk of losing talented and skilled workers to other sectors, especially at senior leadership level, because talented people are held back by their backgrounds.

Research which the Socio-Economic Diversity Taskforce has carried out clearly shows that there is a lack of socio-economic diversity at senior levels in the sector's firms.

Our taskforce has broken new ground through surveying over 9,000 employees from 49 organisations across the financial and professional services sector. From this we have a robust baseline by which the sector can begin to track its progress on socio-economic diversity. And that is important, because as we navigate rising inflation and economic challenges, we will need diversity of thought and experience; we will need to seek innovative solutions to maximise talent and productivity; we will need to ensure that there are no artificial barriers as people move through their careers.

The sector must urgently respond to the results of this survey. We urge businesses to act now, and collect employee data on socio-economic background, setting targets and monitoring progress to encourage a level playing field for all.

I would like to thank Accenture, PwC, The Financial Services Culture Board, Nosheen Malik, and all our Taskforce members who have helped contribute to this work. Thank you also to all the organisations who participated in this survey, with your help we have gained a better understanding of the sector and how to shift the dial.

Andy Haldane
CEO of the Royal Society of Arts and Co-Chair of the Socio-Economic Diversity Taskforce

What is not measured tends not to be managed. Socio-economic diversity is no exception to this rule. Across Financial and Professional Services (FPS), and beyond, socio-economic diversity has largely gone unmeasured. It should come as no surprise, then, that it has largely gone unmanaged. The results of this are only too clear, with stalling or retreating rates of social mobility across most regions and sectors of the economy. This is costing the economy in unfilled potential among a large and rising share of our workforce. As well as being socially unjust, these forgone opportunities for growth, personal and national, are something we can ill-afford at a time of stagnant incomes and a high and rising cost of living.

While the socio-economic diversity problem is a cross-sector one, the FPS sector has long been perceived as having a particularly acute case of it. The results of this survey suggest these perceptions are not misplaced and confirms evidence found in earlier surveys and research. The FPS playing field, socio-economically, is highly uneven at the point of entry and becomes more so the higher people rise. People from non-professional backgrounds, are far less likely to feel included and are much more likely to vote with their feet and move elsewhere. Over time, this dynamic risks making a bad situation worse from a socio-economic diversity perspective.

Where does this leave us? While the quality and quantity of data around socio-economic diversity will need to continue to improve, both in its breadth and depth, we now know all we need to know about the scale and source of the socio-economic inequities facing the FPS sector. Now is the time to act on the data set out in this report, to turn words and now numbers into an action plan that does more than salve the consciences of those in the FPS sector; it moves the metrics and turns the tide, durably, inclusively, dramatically.

Executive Summary

The financial and professional services (FPS) sector is an integral part of the UK economy – providing 2.3m jobs and contributing nearly £100bn annually in taxes, or £10 of every £100 of UK economic output[1].

The financial and professional services sector is providing solutions to the most pressing economic, environmental and social issues. But these challenges are complex and require innovation driven by diverse perspectives. Greater diversity and inclusion within organisations enables them to drive profits, increase productivity and foster innovation. Importantly, it is also the right thing to do.

With the help of campaigns such as the FTSE Women Leaders Review, the Women in Finance Charter, the Parker Review and the Black Talent Charter, financial and professional services firms have increasingly focused on workforce diversity and inclusion. This impetus has been driven by the interests of regulators, investors, clients, employees, and Government.

> *"Improving the socio-economic diversity of our industry is essential to reflect the community it serves and ensure it can access the best talent. Capable individuals should be able to succeed on their own merits, regardless of their background. Our members are working hard to make progress on these issues. A key part of this is gathering data so we can demonstrate that our actions are the right ones and lead to positive impacts."*
> Emma Reynolds, Managing Director, Public Affairs, Policy and Research, TheCityUK

While gender and ethnicity have been the dominant focus of diversity and inclusion initiatives, workplace socio-economic diversity has been notably absent. This also remains true with data collection: few firms are collecting employee data on socio-economic background. Without data, firms have been unable to set realistic targets to begin to shift the socio-economic diversity of their workplace.

A Government commissioned Taskforce, led by the City of London Corporation, set out to change this.

For the first time, a survey of over 9,000 employees across 49 financial and professional services organisations provides a baseline by which the sector can begin to track progress on socio-economic diversity, particularly at senior levels. This survey provides a unique and important insight into the socio-economic diversity of the sector and, combined with a secondary data review, is the most extensive dataset on socio-economic diversity across both sectors to date.

Socio-economic diversity at senior levels

At senior levels[2], UK financial and professional services are out of kilter with the rest of the sector and are deeply unrepresentative of the communities they serve.

The survey found that employees from professional backgrounds[3] are 43% more likely to be senior level compared to their working class peers.

Of all the senior leaders surveyed, 64% are from a professional background (using the Social Mobility Commission recommended metric of parental occupation of main earner at aged 14).

When consulting secondary research, we see that this is almost double the wider-UK working population, where comparatively only 37% are from professional backgrounds. Importantly, when looking at all levels of seniority (using Labour Force Survey data), we can see from the charts overleaf that 49% of UK financial and professional services employees are from a professional background[4].

Figure 1 shows the Taskforce survey findings of senior level respondents by socio-economic background

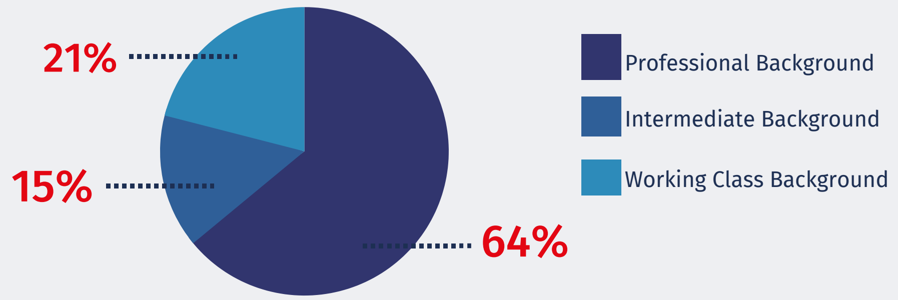


Figure 2 shows the UK financial and professional services sector by socio-economic background at all levels of seniority

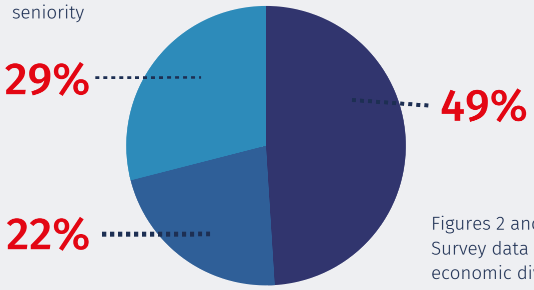
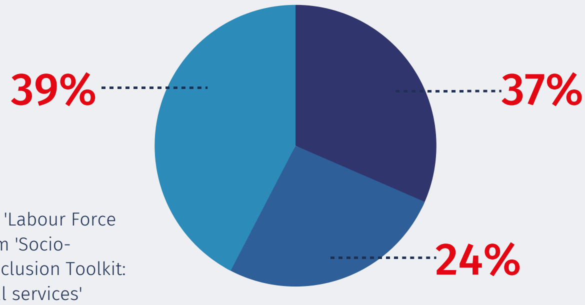
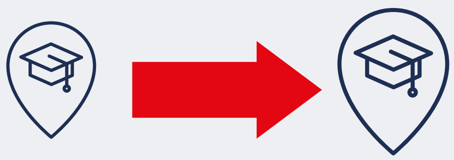


Figure 3 shows UK working population by socio-economic background



Figures 2 and 3 data from 'Labour Force Survey data accessed from 'Socio-economic diversity and inclusion Toolkit: Financial and professional services' https://socialmobilityworks.org/toolkit/financial-and-professional-measurement/

When looking at education (as stated by the Social Mobility Commission as an indicator of extreme economic and cultural advantage) senior level employees surveyed are more than three times as likely to have gone to independent or fee-paying schools than the UK national average (26%[5] and 7.5% respectively).



20% of junior employees attended independent / fee paying school

26% of senior level employees attended independent / fee paying school

Figure 4 shows the representation of employees who attended independent or fee-paying school, exclusive of those who received bursaries

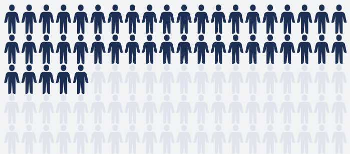
Inclusion

Looking at the sector's current levels of socio-economic diversity only tells half the story. Equally important, employees from non-professional backgrounds feel less included in the workplace. This lack of inclusion poses a risk to employee retention and productivity in the context of the UK's tight labour market.

- Working class respondents are more likely to feel that they do not have the same chances of success in the workplace as their colleagues from professional backgrounds.
- They are more likely to feel like an 'outsider' and are less satisfied with their pace of career progression.
- Only just over a third of working class employees have benefited from a senior sponsor compared with almost half from professional backgrounds.

Socio-economic background can amplify other inequalities, particularly related to ethnicity and gender. Working class employees who are also female or an ethnic minority, are even less likely to hold senior level positions and less likely to feel included in the workplace.

Figure 5 shows the number of senior level white males surveyed from professional backgrounds and the number of senior level ethnic minority females from working class backgrounds



45%

of senior leaders are white males from professional backgrounds

1%

of senior leaders are ethnic minority females from working class backgrounds

Compounding inequalities

Our evidence shows that when accounting for socio-economic background, this reduces the chances of all genders and ethnicities being senior leaders.

- Just 1% of senior leaders surveyed are ethnic minority females from a working class background, compared to 45% of white males from professional backgrounds.
- Ethnic or gender minority employees from working class backgrounds measure even lower on inclusion indicators than all other groups.
- These findings corroborate previous research which indicates a multiplier effect of gender, ethnicity, and socio-economic background[6].

> *"This research highlights the huge gaps that still remain within financial and professional services when it comes to socio-economic background and who ends up in the most senior industry roles. It reinforces the importance of creating industry-wide progress together, and again makes the case for firms to look much more widely for senior talent to reach their full commercial potential."*
> Chris Woolard, Partner, EY

Why is this important?

With an increasing demand for innovative responses to environmental and social challenges, now is the time to maximise and benefit from diverse perspectives.

Those at the top can deeply influence organisational culture, and their lived experiences will impact decision making. It is vital that those in influential roles can position companies for future success. To create a well-functioning society, it is vital that those in these influential roles are representative of the society they serve, geographically, demographically and socially.

These inequalities not only threaten the productivity and competitiveness of the sector, but they also reinforce existing inequalities and opportunities for the UK to thrive. Increased diversity and inclusion can have positive impacts on businesses' bottom line, increasing profits and retaining talent. There is evidence to show that the profits of organisations focusing on social mobility are 1.4x higher than their competitors[7]. With the UK's focus on levelling up and the population facing a cost-of-living crisis, it is imperative that people from all backgrounds are given equal economic opportunity to progress. It is the right thing for businesses to do.

At a time where society and employees are facing economic pressures, and where businesses are struggling to recruit and retain talent, **we are calling on businesses to review this baseline data and assess against their own performance.**

There is a lack of socio-economic diversity at senior levels, yet the case for action is strong

In response to the labour market consequences of Brexit, Covid-19 and the current economic situation, organisations across the UK are making strides towards diversifying their workforces, as they seek to attract and retain talent.

These efforts have been encouraged by campaigns such as such as the FTSE Women Leaders Review, the Women in Finance Charter, the Parker Review and the Black Talent Charter as well as increasing calls from regulators, investors, employees and clients for diversity. Yet, socio-economic diversity has been largely lacking from these discussions. This is partly due to the lack of data on the socio-economic diversity of employees, as well as a lack of understanding of how it impacts employees in the workplace.

Our data paints a stark picture of socio-economic diversity at the top of UK financial and professional services. Our survey uncovered that employees from a professional background, defined by parental occupation of the main earner at aged 14, make up **64% of senior staff surveyed**.

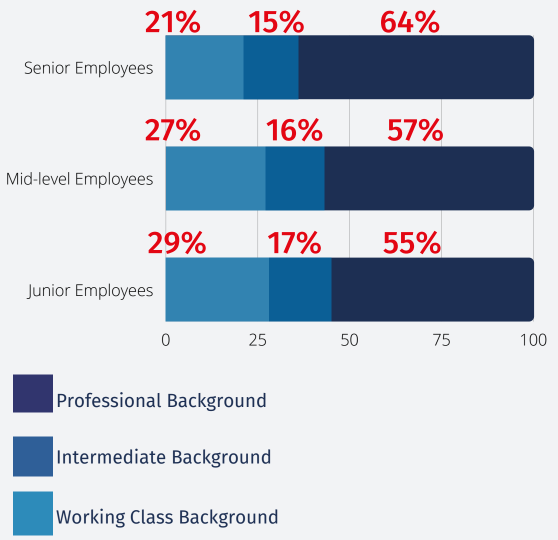
This is:

- Almost double the national benchmark (37%)
- Almost a third higher than UK CEOs across the economy (52%), and
- Almost a third higher than junior level survey respondents (55%).

On the other end of the spectrum, only 21% of senior levels respondents are from working class backgrounds. Compared to 28% at junior level and 39% across the UK working population[1].

These stats indicate that **employees from professional backgrounds are 43% more likely to be senior level compared to their working class peers.**

Figure 6 shows the percentage of employees at various levels from professional, intermediate and working class backgrounds from our survey data.



The lack of socio-economic diversity remains true across all levels of seniority. Based on ONS data, 49% of employees at all levels in UK FPS are from a professional background, compared to only 29% from working class backgrounds. [1]

Along with the data collected from our survey, we conducted a secondary analysis of existing data on socio-economic diversity within UK financial and professional services. This covers 15 sources and over 300k employees, including data from regulators, sector bodies and individual organisations. It was not possible to combine and aggregate the data captured by these various sources given the variety of metrics used[2] and not all of these sources captured data on seniority, however we were able to assess overall socio-economic diversity.

Through data collection, employers can begin to understand and reshape the composition of their organisation; breaking down the barriers that exist for progression.

We were able to confirm that our survey findings are corroborated by existing data sources.

Highlights include:

- Solicitors Regulation Authority data indicates that 58% of Partners are from a professional background[3]
- KMPG, one of the first organisations to publicly report on socio-economic diversity and class pay gap, reports that 64% of senior colleagues are from a professional background (with 21% from working class, against a target of 29% by 2030)[4]
- Data from a Financial Services Culture Board survey of banks and building societies in 2021 identified 49% of employees with line management responsibilities were from a professional background compared to 28% from a working class background[5]
- Analysis of ONS Labour Force Survey data shows that across all levels of seniority 29% of employees across UK Financial and Professional are from a working class background and 49% from a from professional background[6]
- A Chartered Management Institute study highlighting that people from professional backgrounds are 60% more likely to land a top job while only 28% their working class peers hold managerial roles[7]

Research from Accenture that looked beyond the financial and professional services sector also reveals that employees from working class backgrounds are less likely to be on a career “fast track”, defined as reaching managerial level or above by the age of 37 [8]. People from lower socio-economic backgrounds have a bigger ladder to climb in order to land senior level roles.

Previous research reveals that the progression gap has zero link with job performance but can be attributed to workplace culture and opaque promotion processes[9].

In addition, not only do working class people have a bigger struggle to progress but a pay gap exists. Existing research shows that financial services has the largest class pay gap at £17.5k[10].

Case Study - PwC

PwC published their socio-economic background pay gap and socio-economic background data of their workforce by grade for the first time in September 2021. PwC’s median socio-economic pay gap is 12% and is calculated using SEB data from 80% of its employees. PwC worked hard over a number of years to increase the level of socio-economic background data disclosed by their people from 20% to above 80% now.

PwC UK, who have ranked in the top 10 employers for social mobility in the Social Mobility Foundation’s Employer Index since 2017, has a targeted action plan in place to increase social mobility through its recruitment, development and progression, community and advocacy activities.

To read more about their pay gap data, visit their visit their Diversity Pay Report Site.

Increasing socio-economic diversity is not only the right thing to do, but it is also better for business outcomes. Demands for increased diversity are coming from consumers, investors, clients, regulators and employees.

The lack of socio-economic diversity in the sector can be further observed when we look at the type of school attended by respondents [11].

- 19% of all respondents attended an independent or fee-paying school, 2.7 times higher than the national benchmark of 7.5%. This rises to 26% of senior level staff who attended an independent or fee-paying school.
- More junior level respondents (20%) attended an independent or fee-paying school compared to mid-level employees (16%). This is important because it affects the pipeline of talent moving to senior positions.

The overrepresentation of employees who attended private schooling is corroborated by findings from the Social Mobility Commission and The Sutton Trust which found that two fifths of respondents in elite professions attended a private school (39%), five times as many as the UK working population[12]. A Bridge Group report also had similar findings, with 16% of survey respondents, across eight financial services firms, attending an independent school and 25% of senior respondents[13].

Why does this matter?

There is evidence to show that the profits of organisations focusing on social mobility are 1.4x higher than their competitors[14]. This is also corroborated by McKinsey, which found that 43% of businesses with a more diverse workforce have higher profits[15]. At a national economic level, the World Economic Forum notes that "if countries…were to increase their social mobility index score by 10 points, this would result in an additional GDP growth of 4.41% by 2030 in addition to vast social cohesion benefits."[16]

Employers are already seeing the importance of focusing on socio-economic diversity. In the Employer Index Report 2021– a survey conducted by the Social Mobility Foundation – most organisations overwhelmingly responded that they were open to talent from all backgrounds. The index also saw the largest jump in organisations submitting data to the index between 2020 to 2021 (93 more entrants in 2021) [17].

Case Study - KPMG

KPMG UK is a leading organisation collecting and publishing data on socio-economic diversity. The professional services firm first published data on socio-economic diversity of its workforce in 2016.

More recently, in 2021, the firm challenged itself further and was among the first to voluntarily publish socio-economic pay gaps and also set a target for 29% of UK partners and directors to come from a lower socio-economic background by 2030.

The firm's social mobility action plan focuses on colleague pathways into and through the organisation, from recruitment to progression – removing potential barriers facing those from lower socio-economic backgrounds. KPMG has also committed to continue collecting data on the socio-economic background of its employees.

The cost of knowing workforce socio-economic diversity is small, but the risk of not knowing is growing ever larger.

> *"We expect to see diversity and inclusion become part of how we regulate and part of how the UK financial sector does business… An inclusive culture is necessary to enable the benefits of diversity of thought to flourish in practice"*
> Financial Conduct Authority

Regulators in the UK have been paying increasing attention to diversity, including socio-economic diversity. After the discussion paper jointly released by the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and the Bank of England, the FCA noted that "*research shows the positive benefits between diversity and inclusion and positive outcomes in risk management, good conduct, healthy working cultures, and innovation.*"[18] The regulators will be consulting on proposed policy rules to improve diversity and inclusion in regulated firms later this year.

Regulators in the legal profession already mandate data collection on socio-economic diversity. The SRA has mandated that *"All regulated firms, regardless of size, have to collect, report and publish data about the diversity make-up of their workforce every two years."*[19]

In the Government's 2021 Social Mobility Barometer, 42% of survey respondents said employers should take action to improve social mobility, a rise of 11% from 2019[20].

There is a campaign to review the Equalities Act in the UK[21], where cases are being made to include socio-economic background as a protected characteristic.

Employees are a driving force on diversity and inclusion. 67% of job seekers consider workplace diversity an important factor when considering employment opportunities, and more than 50% of current employees want their workplace to do more to increase diversity[22].

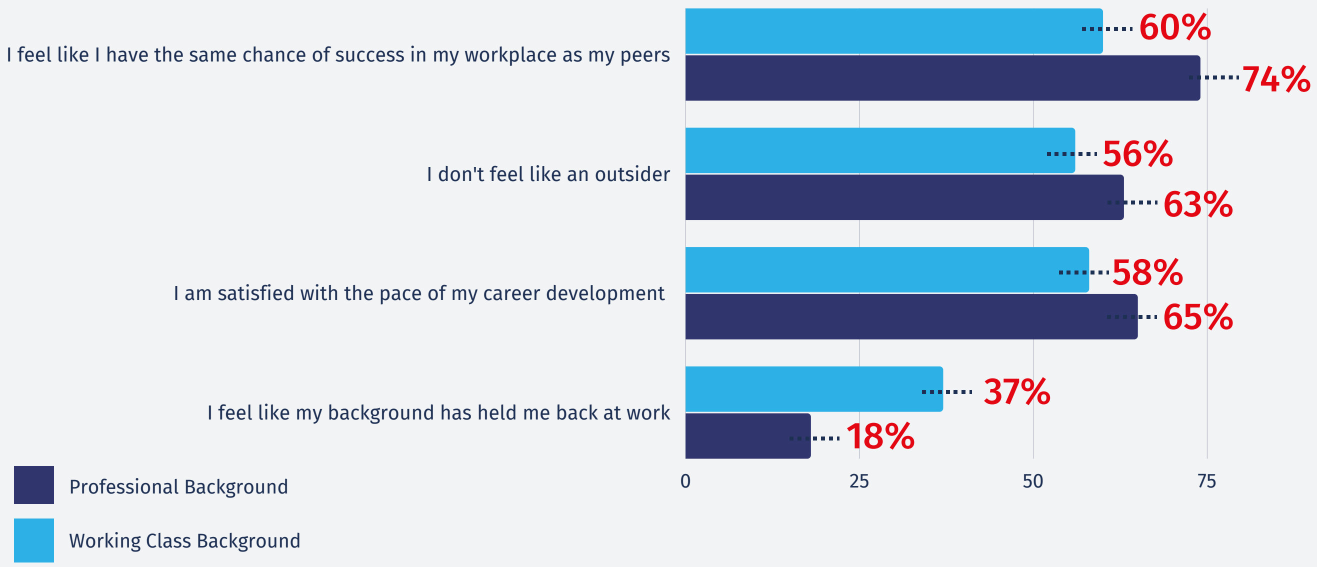
Beyond the business benefits of increased diversity, it is the right thing to do and key to increasing social mobility across the UK.

If the UK financial and professional services sector wants to increase diversity, be more representative of the communities it serves, as well as meet investor, employee, consumer and client demands, it will need to have a diverse employee base, especially at the top.

> *"We are increasingly aware of the lack of socio-economic diversity in UK financial and professional services, especially at senior levels, and the impact that this is having in terms of our productivity and profitability. If we expect the City and indeed the UK to remain competitive on the world stage, it is vital that we address this and work together to push for equity of progression based on talent, performance, and potential, rather than background or fit."*
> Michael Barrington-Hibbert, CEO, Barrington Hibbert Associates

Employees from working class backgrounds feel less included in the workplace

Figure 7 shows the percentage of employees from working class and professional backgrounds who selected agree or strongly agree



Employees from a working class background measure lower on inclusion indicators, including feeling like they can be themselves in the workplace, that their contributions are appreciated by their peers and feeling like a key component of their team. These employees also feel that their socio-economic background has held them back at work and that their workplace is not a level playing field.

Compared to peers from professional backgrounds, employees from working class backgrounds are:

- Twice as likely to report that their background has negatively impacted their career,
- More likely to feel like an outsider, and
- More likely to feel that they did not have the same chances of success in the workplace.

Additionally, more than a third of employees from a lower socio-economic background feel their background has held them back at work.

With senior sponsorship seen as an important route to career progression, it is important to note that working class employees are 17% less likely to have benefited from a senior level sponsor.

From existing research, we know that sponsorship can offer significant advantages like providing a fast-track career trajectory that lacks transparency and accountability.

In our survey, employees from working class backgrounds reported feeling less satisfied with the pace at which their career is progressing compared to their peers from professional backgrounds. This is unsurprising given other data sources show a significant class pay gap in the financial and professional services sector[1].

The survey findings are consistent with evidence from the Bridge Group, where interviewees from working class backgrounds in financial services "describe efforts to fit into the dominant culture; and express feelings of exclusion, or lack of belonging." Being required to fit in with the dominant culture led to these employees feeling "exhausted" as well as distracted from their jobs[2]. Both men and women from working class backgrounds were most likely to feel excluded at work, according to our survey.

Why does this matter?

Employees who feel less included are more likely to have lower productivity and to leave their jobs . Their path to senior leadership is interrupted because they are not fitting into the dominant culture.

Employees that are deemed to “fit in” are often the ones that get rewarded for promotions, according to Sam Friedman and Daniel Laurison, authors of The Class Ceiling: Why it Pays to be Privileged. This is an issue for organisations across many sectors in the UK. There are societal codes that are inherent within company cultures that are often difficult to recognise but greatly impact career progression for working class employees. These codes can be something as simple as style of dress or more pronounced such as regional dialect. Additionally, they found that promotion processes tend to unfairly favour those who are similar to existing senior leaders, also known as homophily[3].

According to the authors, these societal codes play a huge part in how people get ahead and are rarely based on merit. Even when a working class person is Oxbridge educated and has the same qualifications and skills, they still do not benefit from sponsorships or are deemed to “fit”, leading to missed advancement opportunities and roles.

> *“It’s crucial for us to attract, retain and advance talent from all socio-economic backgrounds to bring diverse experiences and ideas. Not only does it encourage innovation, but companies with a more diverse workforce deliver better returns and decision-making in the long run. It is clear that our industry needs to focus on widening access, improving opportunities for progression and fostering a culture where all employees feel accepted and valued in the workplace. This data will create a much-needed benchmark for our members and other organisations in the industry to measure against, and drive internal discussions, which will be imperative in unlocking new pools of talent at all levels.”*
> Karis Stander, Director for Culture, Talent and Inclusion at the Investment Association

The organisations that are unaware of these behavioural codes could experience a loss of talent. Evidence shows that employees who are likely to look for a new employer in the next twelve months are less likely to feel satisfied with their current employer. Dissatisfaction stems from these employees not feeling they can be their true selves at work, feeling their team does not care about them, and that they are not listened to by their manager[4].When employee engagement starts to decline, “companies become vulnerable not only to a measurable drop in productivity, but also to poorer customer service and greater rates of absenteeism and turnover.”[5]

On the other hand, where employees feel included, they are more likely to be ambitious, engaged and innovative, likely leading to productivity and performance benefits[6]. Additional research has found that inclusive teams make better business decisions, twice as fast, delivering 60% better results[7].

A culture of equality—the same kind of workplace environment that helps everyone advance to higher positions—is a powerful multiplier of innovation and growth[8].

Additionally, evidence shows that executives exhibit a perception gap by often overestimating how inclusive and welcoming their company culture is. In one study, 87% of executives believed that employees from working class backgrounds feel included in the workplace, compared to just 44% of employees from working class backgrounds actually feeling included[9]. Another study on similar perception gaps in America, estimates that if they were narrowed by 50%, global profits would increase by US$3.7 trillion and retention rates would increase up to 88% for some employees[10].

Employers who don’t take steps to reshape company culture and promote a more inclusive working environment could not only be failing to retain talented employees, but also could be taking a hit to their bottom line.

Socio-economic background compounds other diversity indicators

Socio-economic background can amplify other inequalities, particularly related to ethnicity and gender. Working class employees who are also female or an ethnic minority are even less likely to hold senior level positions and less likely to feel included in the workplace.

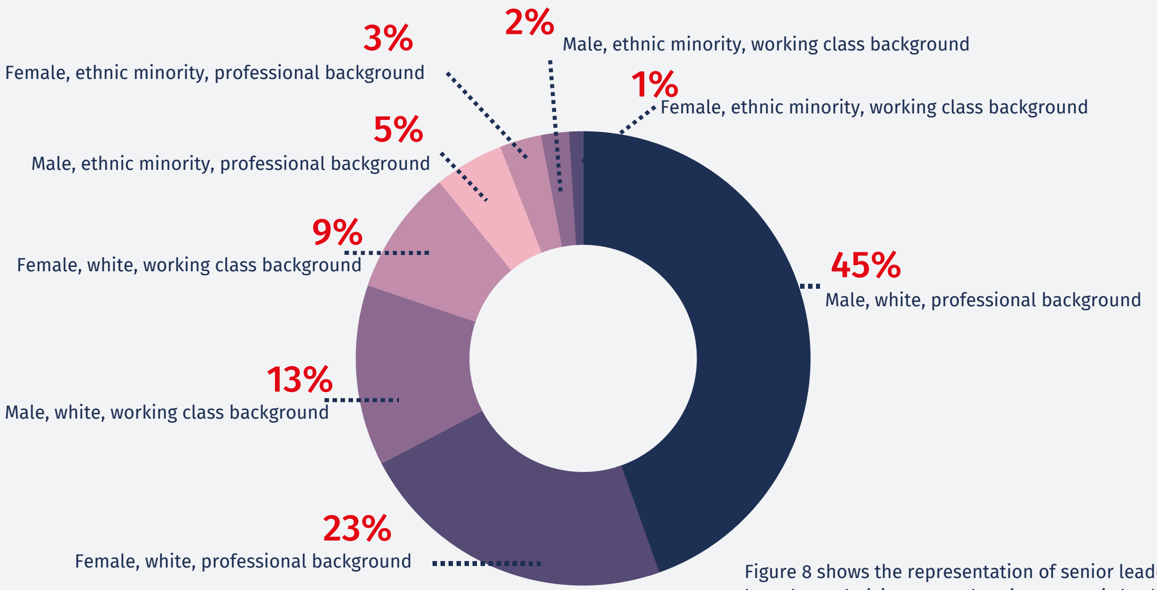


Figure 8 shows the representation of senior leadership based on ethnicity, sex and socio-economic background

Ethnic minority females from a working class background account for just 1% of senior positions. This compares to 45% of white males from a professional background.

Evidence from this survey shows that those in senior level positions are most likely to be white men from professional backgrounds.

- 64% of senior leaders are male, of which 88% are white and 66% are from professional backgrounds
- 36% of senior leaders are female, of which 86% are white and 61% are from professional backgrounds.

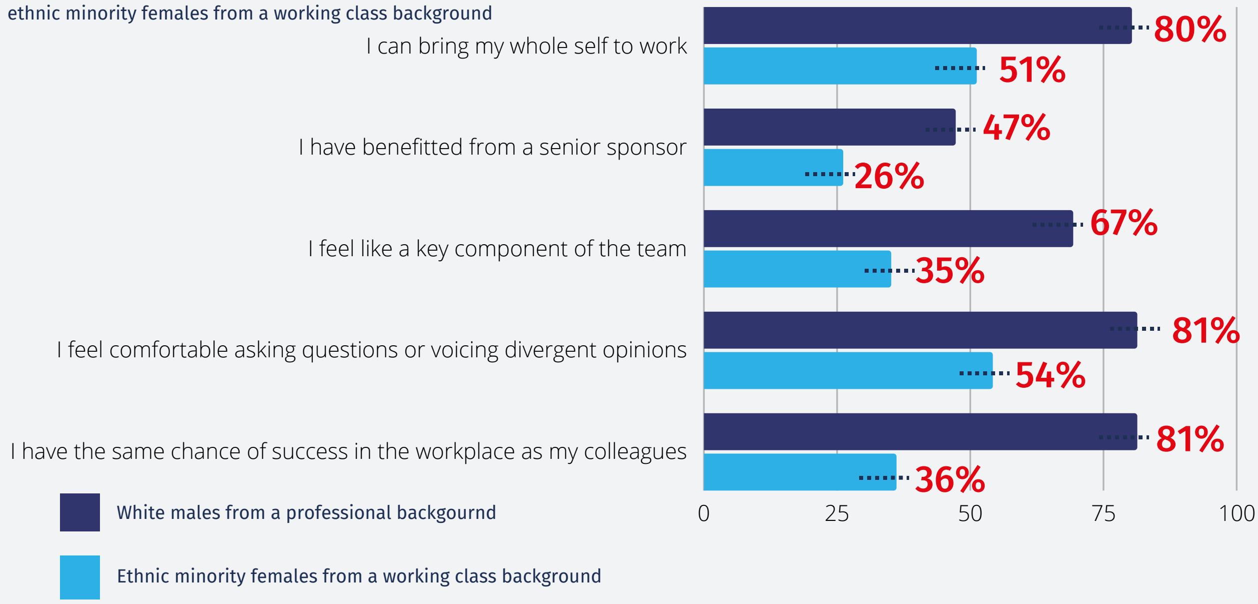
Employees from working class backgrounds are 30% less likely to be senior leaders than those from professional backgrounds. This rises to 50% if an employee is also an ethnic minority and 99.9% if the respondent is also ethnic minority and female.

Our evidence shows that coming from a working class background has a negative effect when it comes to chances of reaching senior leadership, further compounding other inequalities. For every employee group, they were less likely to become senior leaders if they were also from working class backgrounds. Our survey data shows that compared to colleagues from professional backgrounds:

- White men are 72% less likely to be in senior level positions if they are from working class backgrounds
- White women are 63% less likely to be in senior level positions if they are from working class backgrounds
- Ethnic minority men are 61% less likely to be in senior level positions if they are from working class backgrounds
- Ethnic minority women are 70% less likely to be in senior level positions if they are from working class backgrounds

Double disadvantage comes into play when looking at feelings of inclusion. Minority employees from a working class background are less likely to have senior sponsors, to feel like key components of their teams or to feel their contributions are respected compared to their colleagues from a professional background.

Figure 9 shows the percentage of respondents who selected agree or strongly agree. White males from a professional background compared to ethnic minority females from a working class background



By failing to account for socio-economic background, organisations miss out on the factors that are impacting their employees' paths to senior leadership. Collecting and analysing socio-economic background data helps employers to truly understand progression gaps, feelings of inclusion and the vital barriers faced by employees.

Our survey found that white employees are more likely to come from professional backgrounds, defined by parental occupation at aged 14, compared with almost all ethnic minority groups (except African). This could suggest, as indicated by research from Dr Sam Friedman and Dr Daniel Laurison, that "racial-ethnic inequalities in access to top jobs are partly driven by the fact that members of disadvantaged racial-ethnic groups are also more likely to be from working class backgrounds."[1]

However, our findings reveal that this does not correspond with the likelihood of being privately educated. We found that almost **all ethnic minority groups have a higher percentage of employees who attended fee-paying or independent schools compared to white employees (the exceptions being Bangladeshi and Caribbean respondents)**, irrespective of socio-economic background. Our review of secondary data corroborates this finding, showing data that ethnic minority colleagues are most likely to have a degree qualification[2].

This could be explained by previous research which suggests that recently immigrated minority groups have a greater focus on education, as it is perceived to level the playing field[3].

Why does this matter?

In looking at class pay gaps as an indicator for inequality, the pay gap gets even larger when looking at these intersecting identities, further confirming the double disadvantage. Existing research on British elite occupations indicates that women from working class backgrounds earn 60% less than men from professional backgrounds (average of £20,000 per year). Additionally, Black employees from working class backgrounds earn around £6,000 less than Black employees from professional backgrounds, and over £11,000 less than white employees from professional backgrounds. This evidence also shows that this disadvantage can be multiplicative rather than simply additive.[4]

Socio-economic background is the golden thread which can help provide a holistic approach to diversity and inclusion. Through examining the socio-economic background of employees, employers can understand additional disadvantage and barriers to senior leadership. If these barriers are not recognised and addressed, businesses cannot create a truly inclusive work environment where their employees have equal opportunity to succeed.

Understanding the way inequalities interact and intersect is fundamental to successfully addressing the diversity of organisations and the financial and professional services sector.

Case Study – Paragon Bank

Following several years of focus on improving gender diversity, particularly in senior roles across the bank, Paragon launched its Equality, Diversity and Inclusion (EDI) Network in 2020. Andrea Knott, Chair of Paragon's EDI Network explains: *"We didn't want numerous groups competing for budget and airtime so one network seemed like the most sensible way to get employees involved. This isn't just a HR initiative – employees own and shape the work that we're doing."* This work is further supported by Richard Rowntree, our Managing Director of Mortgages, taking up our Executive Sponsor role.

Although this might not work for every organisation, there have been countless unintended benefits of having a diverse network. Network members are all continually educating and learning from each other. This has helped the network to think about what education the rest of the workforce needs and has informed the way the Group has approached communications campaigns such as the 'My Whole Self' series and the development of Inclusive Workplace and Inclusive Leadership training programmes.

It has created a sense of allyship amongst the network members, which means that initiatives will reach a wider group of people.

Andrea adds: *"We've seen lots of similarities in the feedback we've received about the development needs of different underrepresented groups of employees, so we are developing a programme to tackle some of the similar needs together first, such as building confidence, having an impact and communication styles. We'll continually review the impact of what we're doing and where needed shape more bespoke and targeted programmes."*

To read more about the work Paragon's EDI Network is doing take a look at its quarterly newsletter EDIgest.

Conclusion

> *"We believe that someone's talent and commitment should determine how far they progress in their career. Unfortunately, we know that this isn't always the case and too many people are held back due to their socio-economic background. As a leading employer we have a responsibility to get involved in initiatives like this to try to put that right."*
> Sarah Churchman, Chief Inclusion, Community and Wellbeing Officer, PwC UK

The evidence in this report clearly shows that there is an obvious gap when it comes to socio-economic diversity in UK financial and professional services, especially at senior levels.

With this survey and report, we set out to find a baseline, which is that 64% of senior leaders are from professional backgrounds. We know that this is almost double the UK working population (37%) and significantly higher than the financial and professional services workforce at all levels of seniority (49%).

We now have evidence to show that employees from working class backgrounds feel less included in the workplace. This lack of inclusion poses a risk to employee retention and productivity in the context of the UK's tight labour market.

We have also demonstrated that socio-economic background can amplify other inequalities, particularly related to ethnicity and gender. As we have seen in the data, working class employees who are also female or an ethnic minority, are even less likely to hold senior level positions and less likely to feel included in the workplace.

For the financial and professional services sector to tackle important solutions to the issues we are facing, it is imperative they have true diversity and inclusion. By having greater diversity and inclusion, these organisations are also able to drive profits, increase productivity and foster innovation.

At a time where society and employees are facing economic pressures, and businesses are struggling to recruit and retain talent, we are calling on businesses to review this baseline data and assess against their own performance.

We hope this report is a powerful wake up call to business to take action. An important starting point is to begin collecting the data to understand current levels of socio-economic diversity and identify the gaps. Without data, firms will be unable to set realistic targets to begin to shift the socio-economic diversity of their workplace.

Through data collection, employers can start to understand and begin to reshape the composition of their organisation to break down the barriers that exist for progression.

Further reading and resources

This report is one in a series of reports released by the Socio-Economic Diversity Taskforce. The Taskforce will release further reports later this year on the subject of socio-economic diversity at senior levels in UK financial and professional services. One report will recommend actions for government, regulators and sector bodies to take to incentivise employer action in this area. The other will further explore how socio-economic diversity is good for business and productivity.

A new membership body has been launched to help UK financial services businesses to drive socio-economic diversity at senior levels. The first of its kind focusing on progression, retention and socio-economic diversity. Progress Together seeks to create a financial services sector in the United Kingdom in which everyone working in it, from all socio-economic backgrounds, is both enabled and has the opportunity to achieve their full potential. For more information, please visit www.progresstogether.co.uk or email info@progresstogether.co.uk

For recommendations on how to address socio-economic diversity at senior levels in UK financial services, please see The Bridge Group Report, Who Gets Ahead and How?[1]

The Social Mobility Commission have put together a socio-economic diversity and inclusion toolkit for employers in the financial and professional services sector. The toolkit includes how to take action to address socio-economic diversity within organisations as well as important tips to begin to capture data on socio-economic diversity[2].

Acknowledgments

Thank you to Accenture, PwC, the Financial Services Culture Board and Nosheen Malik for their help in the creation of the Building the Baseline: Breaking the Class Barrier Report.

And thank you to all of the organisations who participated in this survey and encouraged their employees to fill in the data.

Methodology

This survey and report set out to assess socio-economic diversity at senior levels in UK financial and professional services, including how this relates to feelings of inclusion, and the intersection with gender and ethnicity.

The survey collected data from 9,362 employees from 49 organisations. Employees in participating organisations were invited to submit anonymous data between November 2021-March 2022.
The survey asked 15 questions to assess a combination of demographic factors (age, gender, ethnicity), tenure, level of seniority, type of schooling attended and questions to assess inclusion.

To assess socio-economic background, we asked a question about the occupation of the main household earner when the respondent was aged about 14. The Social Mobility Commission identifies parental occupation as the most reliable indicator of socio-economic background. Responses are coded as below:

- Professional backgrounds – modern professional & traditional occupations; senior or junior managers or administrators.
- Intermediate backgrounds – clerical and intermediate occupations; small business owners.
- Working class backgrounds – technical and craft occupations; routine, semi-routine manual and service occupations; long-term unemployed.

To assess level of seniority, we asked respondents to answer which of the following best reflected their career level within their organisation:

- Senior level – for example: Partner, Director, C-Suite/Executive Committee or one or two levels down, high level specialist roles.
- Mid-level – for example: those managing a team or has significant professional experience.
- Junior level – for example: those undertaking closely supervised work, with little or no supervisory responsibility, including entry level roles

The secondary data analysed covered public datasets from regulators and sector bodies and private datasets anonymously shared by organisations collecting data on the socio-economic diversity of their employees. We were unable to aggregate this data due to the lack of consistency across questions asked to assess socio-economic diversity, and few related this to levels of seniority. Overall, the secondary datasets consulted covered over 300k employees in the UK financial and professional services sector.

The secondary literature included in this report looked at a variety of sectors, beyond just financial and professional services, and wider diversity and inclusion, beyond just socio-economic diversity (primarily due to the lack of data available in this space). It was primarily consulted to provide evidence around why increased diversity and inclusion is right for organisations.

In order to boost productivity and levelling up opportunities, HM Treasury and the Department for Business, Energy and Industrial Strategy (BEIS) have commissioned the City of London Corporation to lead an independent taskforce. This taskforce is intended to improve socio-economic diversity at senior levels in UK financial and professional services. The taskforce has a vision of ‘equity of progression’ – where high performance is valued over ‘fit’ and ‘polish’.

Key Terms

Term	Definition
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 categorised objectively by capturing information on, for example, their parents' occupation or the type of school individuals attended. This is the preferred term over "class".
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.
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.
Senior Leader	Roles that are equivalent to - Board, Partner, Director, C-Suite/Executive Committee or one or two levels down, high level specialist roles.

Term	Definition
Professional Background	Also known as high socio-economic background. This is defined by parental occupation if your highest earning parent worked in a managerial and professional occupation. Examples include: CEOs, finance managers, doctors, journalists, barristers, solicitors, teachers and nurses.
Intermediate Background	This is defined by parental occupation if your highest earning parent worked in a clerical and intermediate occupation. Examples include: shop owner, garage owner, taxi owner, secretary, nursery nurse, clerical worker and call centre agents.
Working Class Background	This is defined by parental occupation if your highest earning parent worked in a routine and manual occupation. Examples include: receptionists, electricians, plumbers, butchers, van drivers or long term unemployed.

*Definitions are consistent with those used in the Bridge Group report, and suggested by the Social Mobility Commission

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HM Treasury and the Department for Business, Energy and Industrial Strategy commissioned the City of London Corporation to lead an independent taskforce to boost socio-economic diversity in UK financial and professional services.

The taskforce is the first of its kind. The vision is for equity of progression - where high performance is valued over 'fit' and 'polish'.