Socio-Economic Diversity Taskforce

CITY OF LONDON

Breaking the Class Barrier:

Recommendations for Building a More Socio-Economically Diverse Financial and Professional Services Sector

November 2022

Foreword

Catherine McGuinness

Chair of the Socio-Economic Diversity Taskforce

Over the last two years, the Socio-Economic Diversity Taskforce has worked to find solutions to support employers, regulators, sector bodies and government in addressing the lack of socio-economic diversity at senior levels in financial and professional services sector.

The recommendations and the five point pathway outlined in this report have been produced with careful consideration after extensive conversations with industry leaders and socio-economic diversity experts and an exhaustive review of research and data.

I am not expecting our output to be comfortable reading, nor our recommendations to be universally acclaimed.

But there has never been a more important moment to change. Not only because this is the right thing to do, but because it makes business and economic sense, as the UK seeks to rebuild growth through innovation, improve productivity, focus on levelling up our economy and ensure that everyone able to work has access to opportunity

We believe that the recommendations the Taskforce has devised can help bring about meaningful change and promote a sector that is fair and inclusive for everyone.

The UK financial and professional services sector has made inroads to becoming more inclusive: employees from working class and intermediate backgrounds makeup nearly half of the workforce within the sector.

However, there is still a progression gap that exists, and more work to do. These same employees progress 25% slower than their peers, make up to £17,500k less, and only 36% of them make it to senior levels.

Where an employee comes from, how their accent sounds, or what jobs their parents held, should not dictate how far they progress in the financial and professional services sector. Talented and ambitious employees are experiencing unnecessary barriers that prevent them from climbing the ladder. We as an industry can, and should, do better.

I'm encouraged by the range of stakeholders in the sector that are eager to put in the work to make the industry more representative and inclusive. I'm also hugely impressed by the Taskforce members and the experts I've met along this journey whose passion for tackling socio-economic diversity has been unwavering.

It is my hope that this report will act as a call to action, and a practical guide to help financial and professional services organisations spur greater collective action, so that social background is not a bar to progression, and we have a sector which is more representative of the society which it serves.

Sandra Wallace

Socio-Economic Diversity Taskforce Co-chair and Joint Managing Director, UK and Europe, DLA Piper

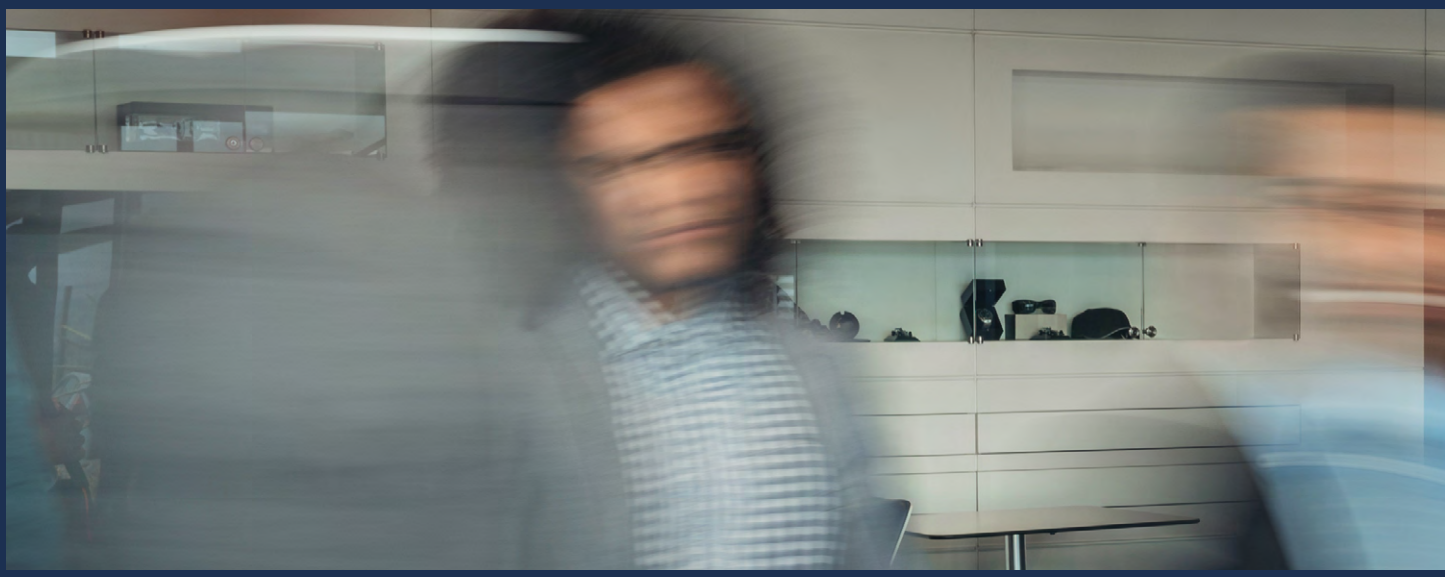
The single most important asset of any financial or professional services organisation in the UK, or indeed globally, is people. Driven by knowledge, insight and intellect, these organisations are dependent on attracting, nurturing and retaining people with the sharpest of minds and drawing from a broad range of perspectives to not only stay competitive, but to push the boundaries of the professions.

It should go without saying then, that in order to thrive, these organisations need to be representative of every section of our communities. For too long, the career routes into the financial and professional services sector have been too narrow, and accessible to too few. We know that this is even worse when it comes to progressing to senior level positions in the sector. This can only hinder the diversity of thought and perspective the sector needs, not to mention deny opportunity to those who would benefit the most. In the face of fierce competition from around the world, and with talent being critical to our future success, having the widest possible pool of talent in our sector, especially at senior levels, is a business as well as moral necessity.

I believe passionately that business acumen is not the reserve of a select few. No one's career path should be dictated by the profession of their parents or their background. This is why this report and its recommendations are so important.

What follows lays out the facts of where financial and professional services stands today in terms of socio-economic diversity and outlines clear and practicable recommendations on how we can shift the needle towards a more equitable make-up of our organisations at senior levels.

I would like to thank the many businesses, sector bodies, regulators, government and the people who have generously invested time, expertise and energy into the making of this report. I would also like to thank the many stakeholders who took part in the extensive consultation for this report and our recommendations, and who are recognised at the end of this report. It is clear this is a shared vision, and the financial and professional services sector should be proud of the commitment shown to advancing this important work. For the many employers already on the path to ensuring greater socio-economic diversity in our industries, the Five-point Pathway detailed in this report acts as a compass to help them continue on their way. For those yet to begin their journey, here is a good place to start. This is not intended to be a carrot or a stick, but a pathway to the industry's continued success and relevance.



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Executive Summary

The issue

In a world of growing inequality, the UK has one of the poorest rates of social mobility in the developed world[1]. This means that people from working-class backgrounds do not have access to the same opportunities as those from professional backgrounds, and **those who are already economically advantaged tend to stay at the top**.

As one of the UK's largest sectors, financial and professional services can have a significant influence on societal outcomes. The sector employs more than 2.3 million people and represents £12 of every £100 of UK economic output[2].

However, we know that the sector is not representative of the communities it serves. While around **half of all employees in the sector are from non-professional** backgrounds, defined as working class and intermediate backgrounds[3], these employees progress 25% slower than their peers. Only **36%** of working class and intermediate employees **have progressed to senior levels**, defined as Board, Executive Committee, Partner and two levels below[4]. Employees from non-professional backgrounds are also likely to get paid up to **£17,500k less** per year – with zero link to job performance[5].

This needs to change. Aside from the inherent unfairness, an absence of socio-economic diversity at the top has wide-ranging social, business and economic consequences for organisations, the sector, and beyond.

What we want to achieve

Based on extensive research, an industry-wide consultation, case studies from leading employers, and recommendations from organisations including the Social Mobility Commission, Social Mobility Foundation, Sutton Trust, Social Mobility Business Partnership, and Bridge Group, this report sets out an ambition for change and a framework for getting there.

Our aim is to achieve parity by having socio-economic diversity at the top of organisations which is at least equivalent to the current average across all employees at all levels in the sector, which we know is 50%[6].

We are calling for 50% of senior leaders in the UK financial and professional services sector to come from a working class or intermediate background by 2030.

Based on the data we currently have on sector-wide representation, showing that 37% of senior leaders are currently from non-professional backgrounds[4], we believe this is achievable.

This target is for senior level representation across the entire sector, rather than a target for each firm individually. We would advise employers to assess their data and use the Taskforce's target of parity across all levels as a guide for internal target setting. In time, our vision is for the op levels of the sector to mirror the UK working population
(63% from non-professional backgrounds)[6].

We will review this target in 2025 to ensure it remains representative and achievable by 2030. By this time, we expect all organisations in the sector to have started to collect data on the socio-economic background of their employees, so as a sector we can have a better-informed baseline.

We recognise that each employer will be at a different stage of their journey, but all organisations must play their part in achieving this sector-wide ambition. We've set this ambition to promote a fairer and more productive industry, one that makes best use of talents regardless of socio-economic background.

[1] https://reports.weforum.org/social-mobility-report-2020/social-mobility-rankings/?doing_wp_cron=1664537953.7169370651245117187500

[2] https://www.thecityuk.com/media/ubgldxnm/key-facts-about-uk-based-financial-and-related-professional-services-2022.pdf

[3] As defined by parental occupation at aged 14 https://socialmobilityworks.org/toolkit/financial-and-professional-measurement/

[4] Based on a survey covering 9,362 employees across 49 UK FPS organisations https://www.cityoflondon.gov.uk/assets/Business/building-the-baseline-breaking-the-class-barrier-report.pdf

[5] The Class Ceiling: Why it Pays to be Privileged, January 2019, Sam Friedman and Daniel Laurison

[6] ONS Source data from Measure Socio-economic Diversity | Financial & Professional Services (socialmobilityworks.org)

How to get there

As a Taskforce, we have developed a Five Point Pathway, which sets out tangible steps that employers, large and small can take, along with recommendations for Government, regulators, and sector bodies to support employers along the way.

The framework outlines the direction of travel for the sector. It is not meant to be prescriptive but provides suggested recommendations on how to achieve each of the outlined points and indicates what many of the best firms are already doing. .

We're calling for all employers to have progressed through the points on this framework by 2030.

By doing so, we can level the playing field so that everyone has an equal opportunity to progress, with success determined by talent and hard work rather than background. In the current tight labour market, there is nothing to lose by focusing on greater socio-economic diversity at the top. There is plenty to lose if we do not.

The Five-Point Pathway

	Step 1: Leadership	Step 2: Assess	Step 3: Take action	Step 4: Set goals	Step 5: Publish
Employers	Assign clear **accountability and responsibility** to senior leaders.	**Collect data** on the socio-economic background of employees at all levels by end of 2024 (using questions recommended by the Social Mobility Commission)	**Take action** to increase socio-economic diversity at senior levels and monitor what works.	Set organisation **targets**– considering specific context for example, starting point, size, and subsector.	**Publish** data and what activities have worked.
Sector Bodies	Convene senior leaders within member organisations to **share what works** and first hand accounts from sector employees from non-professional backgrounds.	**Make the case for collecting** socio-economic background data. Ensure organisations **use the Social Mobility Commission's questions and framework** for consistency across the sector.	Highlight **best practice** from member organisations and **act as a convener** for members to discuss and share activities	**Encourage member organisations to set targets** on senior level socio-economic diversity.	Provide **support** to employers publishing their data and activities.
Regulators	**Encourage** regulated organisations to assign senior champions for socio-economic diversity.	**Mandate data collection** and/ or **publicise data** of workforce socio-economic background amongst regulated organisations.	**Encourage action** amongst regulated organisations and speak publicly about the importance of socio-economic diversity.	**Ask regulated organisations for details** on self-set targets and their plan for achieving them.	**Publish** aggregate data to allow organisations to benchmark themselves against the sector.
Government	**Highlight the importance** of greater socio-economic diversity in financial and professional services and the potential impact on the wider economy.	**Publicly advocate** for data collection on socio-economic background.	**Contribute to clear guidance** for employers wanting to take actions to support the progression of employees from non-professional backgrounds.	**Publicly champion** target setting on senior level socio-economic diversity.	**Publicly advocate** for publishing data on socio-economic diversity.

Introduction

A person's upbringing and socio-economic background should not define their career, nor should it hinder it. Workplaces in the financial and professional services (FPS) sector should give all employees, regardless of background, the same opportunities to progress and reach the top ranks of senior management. Organisations that are fair and inclusive not only help all employees meet their potential but also recognise the unique barriers some employees face in order to progress. Where a person is educated, how big their network is, their accent, family background, or even their ability to fit in should not be impediments to their career advancement. Competence and capability should determine success.

The UK FPS sector has a role to play in solving the widening inequality gap in the UK, although it cannot solve social mobility on its own. It is one of the UK's largest industries, employing more than 2.3 million people and representing £12 of every £100 of UK economic output[7] and can influence societal outcomes. However, the FPS sector is out of kilter with the rest of the economy and is unrepresentative of the communities it serves, especially at senior levels.

Many are looking to the sector to provide solutions to some of the most pressing economic, environmental and social issues. But these challenges are complex and require innovation driven by diverse perspectives. The current lack of diversity in the sector is having negative consequences on businesses productivity, retention levels, innovation and social license to operate[8]. Companies with a more diverse workforce, especially at senior levels, have greater diversity of thought which leads to better corporate governance and decision-making, as well as improved services and products for consumers.

Ambitious and talented employees are being stalled in the progression pipeline as a result of their socio-economic background. Data shows that there are better levels of representation of socio-economic diversity at junior and mid-levels than at senior. Currently, employees from non-professional backgrounds (working class and intermediate) make up 51% of the entire workforce across the FPS sector, which includes those at the entry level, mid-level, and senior level. However, at senior levels that number declines to only 36%.

Senior level employees in particular play a crucial role in setting the agenda, decision-making and determining culture within companies. An absence of socio-economic diversity at the top therefore has wide-ranging negative consequences for organisations, the whole sector and beyond.

The sector needs to make strides in widening the talent pool to unlock the untapped potential of people who may not have had the same chance to compete with their peers due to unequal selection standards. The progression gap is stark: employees from lower socio-economic backgrounds take 25% longer to progress through each level of seniority. Talented employees are being held back by a lack of inclusive workplace culture and practices, including opaque promotion processes, work allocation and senior level sponsorship that prioritise fit and polish over performance and potential. Unfair recruitment practices can also dictate who gets their foot in the door. It's not right that some employees face greater hurdles to progress.

Not only are these employees unequally represented at senior levels, but they are also more likely to feel excluded in the workplace. In the Taskforce's Baseline Survey, they were more likely to report that they felt like an outsider, their background had negatively affected their career, and they did not have the same chances of success in the workplace[9].

Organisations need to reshape their cultures so that progression is fair and equal. Managers and senior leaders should be equipped with the tools and knowledge to help employees from non-professional backgrounds climb the ladder. They must also be held accountable for socio-economic diversity within their teams and departments. This includes ensuring promotion practices are fair and transparent, so that success is based on merit, not networks.

[7] https://www.thecityuk.com/media/ubgldxnm/key-facts-about-uk-based-financial-and-related-professional-services-2022.pdf

[8] https://www.whogestahead.co.uk

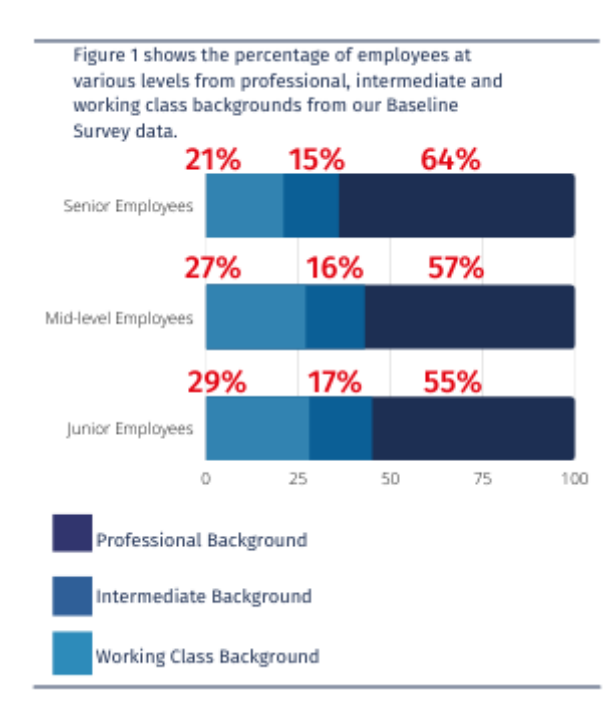
[9] https://www.cityoflondon.gov.uk/assets/Business/building-the-baseline-breaking-the-class-barrier-report.pdf

Reaching Parity Across All Levels

In 2020, HM Treasury and the Department for Business, Energy and Industrial Strategy (BEIS) asked the City of London Corporation to lead an independent Taskforce to boost socio-economic diversity at senior levels across FPS. The Taskforce worked with more than 100 representatives from the sector.

The Taskforce is calling for 50% of senior leaders within the financial and professional services sector to come from a working class or intermediate background by 2030.

This would ensure that socio-economic diversity at senior levels is consistent with the current socio-economic diversity across all employees in the financial and professional services sector according to ONS data.



To help the sector get there, businesses need to have representative, consistent data on the socio-economic background of their employees by 2025. Once data has been collected, organisations should have senior champions, set their own internal targets, institute focused programmes and policies designed to tackle the progression gap and publish data.

The Taskforce will review this sector-wide ambition in 2025 to ensure it is realistic, once there is more representative data across the sector. The best dataset we have at the moment showing socio-economic diversity at senior levels in UK FPS is based on a baseline survey that was conducted November 2021-March 2022 that showed that 36% of senior leaders are from non-professional backgrounds[10]. The more employers that collect data by 2025, the more representative the baseline for current levels of socio-economic diversity at senior levels.

The eventual goal is that the FPS sector properly represents the society is serves. That means we want to work towards a sector that is representative of the socio-economic background of the wider UK working population (currently 63% of the UK's working population is from working class and intermediate backgrounds)[11].

Five Point Pathway

The Taskforce has created a Five Point Pathway for employers to adopt to help them improve socio-economic diversity at senior levels. The pathway also includes recommendations on how regulators, sector bodies and Government can support and incentivise employer action on this journey.

The pathway should not be viewed as linear -- businesses should adopt these practices based on where they are on their socio-economic diversity journey. However, the leading employers will embed all the recommendations. Our intention is to set out a framework for best practice — an ambition for those seeking to adopt "**Best in Class**" practices.

[10] Based on a survey covering 9,362 employees across 49 UK FPS organisations https://www.cityoflondon.gov.uk/assets/Business/building-the-baseline-breaking-the-class-barrier-report.pdf

[11] ONS Source data from Measure Socio-economic Diversity | Financial & Professional Services (socialmobilityworks.org)

We have developed the framework based on recommendations from various sources: an industry-wide consultation conducted by the Taskforce between November 2021-June 2022; organisations that focus on socio-economic diversity; and organisations in the FPS sector that are already committed to increasing socio-economic diversity at senior levels. We recognise that each company will be in a different current position and will have to identify the practices that work best for its own circumstances.

Employers within the financial services sector that want to lead the way in socio-economic diversity at senior levels should join Progress Together. Progress Together will provide tailored support to help them understand the barriers when it comes to progression and then remove these barriers through practical actions and guidance.

Sector bodies, regulators and the Government also have an important role to play in helping the sector achieve greater socio-economic diversity at senior levels. These entities need to be vocal about the importance of a socio-economically diverse workforce. They should advocate for it to be embedded into existing organisational diversity, equity and inclusion (DEI) programmes and policies.

“ The UK financial and professional services sector needs to remain competitive and productive. To do this, we need to ensure the best talent is rising to the top and not facing needless barriers. At BEIS we are pleased to see the industry championing the need to boost socio-economic diversity at senior levels and support the pathway laid out in this report.”

- Nusrat Ghani Minister of State at the Department for Business, Energy and Industrial (BEIS)

Regulators should help employers take greater action to tackle socio-economic inequalities at senior levels when it is in their statutory powers and operational objectives to do so. This means where it is permissible, regulators should require employers to collect data and inquire about the steps that regulated businesses are taking to promote socio-economic diversity among senior employees. And, given the intersectional nature of socio-economic diversity and other diversity characteristics, regulators should encourage firms to treat these issues equal. Additionally, as employers themselves, regulators can set examples of best practice by taking action to address socio-economic diversity at senior levels within their own organisation.

“ The FCA supports efforts to help the financial services sector to increase socio-economic diversity and inclusion at all levels. Firms are better equipped to solve complex problems with representative and diverse voices: a variety of viewpoints can provide new perspectives and challenge groupthink, ultimately leading to better decision-making in the interests of firms, their customers and the market as a whole. The benefits of diversity and inclusion are clear and we see socio-economic diversity and inclusion, alongside other characteristics, as an important aspect of our aim to improve diversity and inclusion in the financial services industry.”

- Financial Conduct Authority (FCA)

Sector bodies are key to supporting employers to boost socio-economic diversity at senior levels. They can advocate for the importance of increased diversity and can convene members to share best practice and learn from each other. They also have valuable experience of industry-wide initiatives to boost gender or ethnic diversity, as well as concrete examples of how data collection and member discussions can accelerate progress. We urge sector bodies to use their knowledge to champion socio-economic diversity and highlight how this can act as a “golden thread” to boost progress on broader diversity.

> **“This report, and the work of the taskforce, set out an urgent and powerful case for the benefits of driving socioeconomic diversity in senior levels in UK financial services. Change is necessary, and change is possible. If government and business get behind these recommendations, the result will be a stronger financial services sector where people from all backgrounds can work, thrive, and succeed.”**
>
> **- Sarah Atkinson, CEO, Social Mobility Foundation**

The Government has a crucial role to play as well. As a largely invisible characteristic, Government should produce more guidance for employers on how to recognise and address the unique challenges of socio-economic background. We are also urging Government departments to publicly acknowledge and champion what works. After years of striving for equal representation of minority groups and gender parity in the FPS space, we have concrete examples of how data and targets can begin to shift the paradigm.

Companies should not, and cannot, continue to maintain the status quo. Lack of inclusion and barriers to progression for employees from working class and intermediate backgrounds poses a real risk to the future of the financial and professional services sector in the UK.

Failing to retain and promote top talent from socially diverse backgrounds will leave UK FPS trailing ever further behind sectors that present a more attractive, inclusive offer. Companies with a more diverse workforce, especially at senior levels, have greater diversity of thought which leads to better corporate governance and decision-making, and improved services and better products for consumers.

> **“As the UK’s Central Bank, we are committed to building a workforce that represents the people we serve. Diversity of socio-economic background is essential to achieving that aim. This framework provides us with a clear pathway to get there so that we can all make Progress Together.”**
>
> **- Sarah Breeden, Executive Director for Financial StabiliStrategy and Risk, Bank of England (BoE)**

If the UK is to retain its status as a world-leading financial centre, we must ensure we have diversity across the sector, especially at senior levels, so that we can find innovative solutions to today’s urgent and complex challenges. The current stark lack of socio-economic diversity in the sector poses a serious risk to the UK’s continued competitiveness on the world stage. Above all else, this is the right thing to do. Talent and hard work should determine success, not someone’s socio-economic background.

The evidence is clear: we must act now. Doing nothing is no longer an option.

Why Organisations Need to Tackle Diversity Holistically

It is now well-understood that greater diversity in the workplace leads to better outcomes for companies, their clients and investors, and for society at large. Diverse and inclusive workplaces provide better opportunities for employees to thrive by fostering innovation and creating better decision-making teams with a range of perspectives.

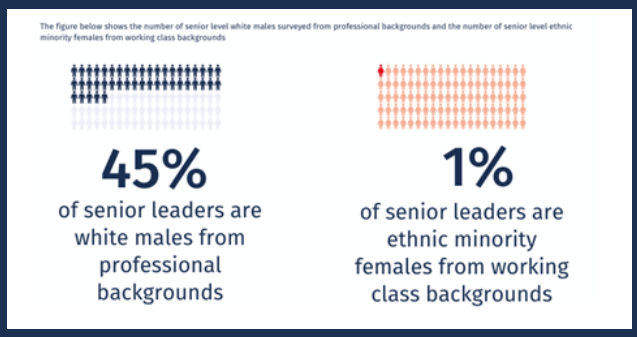
Ignoring DEI can make organisations less competitive than their peers and limit the talent pool to a select group with similar career and educational credentials. There is much more appetite across society to hold businesses to account, which is evident from the emerging standards and increasing regulation for DEI. There is more of a focus on how inclusive employers are, from not only employees but customers, and clients too, which could be a risk to business opportunities.

For example, the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), and the Bank of England's (BoE) issued a joint discussion paper to be published in 2023 that aims to establish new policies on diversity and inclusion based on feedback from regulated firms.

We believe that a holistic approach to diversity is critical to provide opportunities for ALL individuals who are underrepresented in UK financial and professional services.

Typically, employers have often taken a piecemeal approach to diversity in the past, tackling this complex issue through a single-lens approach towards each strand of the diversity puzzle. This has led to mixed results and stalled progress on achieving their diversity goals. The sector is not achieving the fundamental cultural changes necessary to foster inclusivity in a sustainable way, which is a problem not only for socio-economic diversity, but all types of diversity.

Socio-economic background can compound other diversity characteristics, making it even more challenging for someone who falls into multiple diversity categories to progress to senior levels. This is starkly illustrated by our findings that 45% of senior employees in UK financial and professional services are white men from a professional background while less than 1% of senior employees are ethnic minority women from a working-class background. Ethnic or gender minority employees from working class backgrounds also measure even lower on inclusion indicators than all other groups[12].



Building the Baseline: Breaking the Class Barrier

Socio-economic background is the "golden thread" that intersects with many other diversity characteristics and provides the key to driving broader diversity and better representation overall.

With this report we are not calling for socio-economic diversity to be tackled instead of another diversity characteristic, but in addition to other characteristics and in an integrated manner.

By including data on socio-economic background into DEI analysis, employers can better understand how their DEI policies are affecting under-represented groups and whether they are making real progress in tackling the underlying inequities they are seeking to address.

An exclusive focus on any single diversity objective runs the risk of unintended consequences elsewhere. It was raised in national discussions with employees from across the FPS sector that sometimes organisations confuse or silo their approaches to diversity, resulting in tensions over how to allocate resources effectively.

Researchers in the report Accelerating Black Inclusion by New Financial[13], stated that it can be hard for senior managers to understand how minority characteristics intersect, making career advancement and interviews even more challenging for employees that fall into one of these groups.

It is important to be aware of the overlapping barriers and bias some employees face in the workplace or managers risk defaulting to stereotypes while failing to better target diversity initiatives and provide employees with the tools they need to succeed.

[12] https://www.cityoflondon.gov.uk/assets/Business/building-the-baseline-breaking-the-class-barrier-report.pdf

[13] https://newfinancial.org/wp-content/uploads/2021/04/2021.04_Accelerating-Black-Inclusion-New-Financial.pdf

About the Taskforce

This report was produced by a Government commissioned taskforce led by the City of London Corporation. In order to boost productivity and levelling up opportunities, HM Treasury and the Department for Business, Energy and Industrial Strategy (BEIS) commissioned the City of London Corporation to lead an independent Taskforce. This Taskforce, which ran from November 2020 to November 2022, intended to improve socio-economic diversity at senior levels in UK financial and professional services.

This report is one of three main outputs from the Taskforce (see Appendix for more information on Progress Together and the Business Case). The evidence for this report is based on an industry consultation as well as research and a literature review. The focus of these consultations was to gain insight into how Government, regulators and sector bodies can incentivise employer action on socio-economic diversity at senior levels across the sector.

This report also builds on previous research from the Taskforce including Building the Baseline, as well as research published in collaboration with the Bridge Group Who Gets Ahead and How.

For further details about the Taskforce working group and our industry consultations we undertook for this report, please refer to the Appendix at the end.

Socio-Economic Diversity Taskforce

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Employers

Point One: Leadership: Assign responsibility for making progress.

A strong starting point for employers is to assign clear accountability and responsibility for socio-economic diversity to senior leaders and to appoint a senior champion.

Below is a list of suggested activities to help you get there, highlighting best practice:

- Allocate an Executive Sponsor who is responsible and accountable for socio-economic diversity.
  - Ensure that socio-economic diversity is discussed at top management level by assigning specific responsibility to an Executive Sponsor to be accountable for achieving progress, monitoring, reporting on improved socio-economic diversity.
  - Empower the Executive Sponsor to be a visible ambassador for socio-economic diversity inside and outside the organisation by actively endorsing and championing socio-economic diversity.
- For larger organisations, assign responsibility to senior leaders across different parts of the company to report to the Executive Sponsor.
  - Set clear goals for each senior leader at the beginning of every year and measure performance against those goals throughout the year.
  - Senior leaders should have a clear understanding of what success looks like for their part in making progress.
  - Publish a board level strategy that addresses diversity, equity and inclusion (DEI) holistically, ensuring that it includes socio-economic diversity
- Offer senior leaders appropriate support and training on socio-economic diversity.
  - Support senior leaders through ongoing training and education on best practices.
  - Use external resources, such as toolkits from Progress Together and the Social Mobility Commission, to empower senior leaders.
- Include the evaluation of socio-economic diversity and inclusion in leadership responsibilities and performance review processes.
  - Consider how best to incentivise senior leaders and managers to make progress on socio-economic diversity targets. This could be by linking some elements of discretionary pay to achieving targets or finding other ways to recognise and reward those who have taken positive actions to make a difference.

Why we support these recommendations and how we can get there:

Executive Sponsors and senior leaders play an essential role in instigating change and have already helped accelerate progress with initiatives focusing on other areas of diversity. They have significant influence on decision-making processes and can therefore accelerate the cultural changes necessary to ensure resources are allocated to achieve diversity goals. The appointment of an Executive Sponsor for socio-economic diversity would send a clear signal to employees and clients about the importance of this issue on the company's agenda.

Looking at examples from gender, Dame Jayne-Anne Gadhia's Empowering Productivity review urges executives to take accountability for increasing gender diversity at all levels of the organisation[14]. She recognises that too often collective responsibility means that, in practice, no one takes responsibility or accountability. The review calls on companies to assign an Executive Sponsor, to address gender diversity she suggested a male senior executive in a business-facing role, to reduce the risk that diversity is viewed as a silo issue. Similarly, the McGregor-Smith Review of Race in the Workplace[15] recommends that all businesses employing more than 50 people should identify a board-level sponsor for all diversity issues and that this individual should be held to account for the overall delivery of aspirational targets. It cautions that this does not mean simply identifying one executive to lead but embedding champions throughout an organisation so that everyone can see a clear pathway to accountability.

Research from the US shows that DEI tactics that engage managers in solving the problem expose them to different groups and encourage accountability, making them more successful at increasing diversity[16]. As the CIPD points out, this works because employers are asking managers for help instead of dictating terms[17]. Positive behaviours are reinforced, effectively holding managers to account and pushing them to scrutinise their behaviour and possible biases.

[14] https://uk.virginmoney.com/virgin/assets/pdf/Virgin-Money-Empowering-Productivity-Report.pdf

[15] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/594336/race-in-workplace-mcgregor-smith-review.pdf

[16] https://hbr.org/2016/07/why-diversity-programs-fail

CIPD's review, based on the empirical research and discussions with practitioners emphasises the importance of buy-in. One way to achieve this, it says, is by holding people to account, both through KPIs that incentivise managers and 'calling out' and act upon bad behaviour, applying sanctions when needed.

Research by Professor Emilio J. Castilla at MIT, who explores what has been dubbed the 'paradox of meritocracy', concludes that when higher levels of accountability and transparency were introduced to core employee lifecycle processes, the pay disparities in the organisation shrunk to an almost negligible amount[18]. Where there is transparency of information, and they are held accountable for the outcomes, leaders make less biased decisions.

Additionally, in a McKinsey study, "Diversity wins – How inclusion matters", one of the key differentiators between companies it considers diversity winners and those that it sees laggards is that the latter do not give their leaders and managers true accountability for strengthening diversity. Aspirations and ad hoc interventions are not enough and can cause a disconnect between what a company says and the progress it is making, which can erode credibility inside and outside the company.

The Women in Finance Charter is one example of Executive Sponsors being used in the financial and professional services sector – and after years of developing best practice and recommendations, the lessons from this can be applied to socio-economic diversity. Signatories pledge to have one member of their senior executive team responsible and accountable for gender diversity and inclusion. The Women in Finance Charter Toolkit provides further details on the actions and behaviours of an Executive Sponsor for companies at different stages of DEI maturity. Its Annual Review 2021 also sets out evidence of Executive Sponsors' actions to drive change, such as advocacy and role modelling, providing strategic focus, and working with DEI councils and networks.

Larger companies often have sub-cultures in different parts of the business that vary greatly, resulting in inconsistent progress on DEI initiatives. By implementing senior accountability pathways across different divisions, companies can ensure the unique challenges faced by each part of the business are considered when evaluating performance against targets. They can also implement measures that suit the specific cultural or structural issues that a particular part of the business faces.

Case study: Executive Sponsorship at Paragon Bank

In 2020, Paragon recognised the importance of appointing an Executive Sponsor to champion diversity, equity and inclusion (DEI) at the highest level. Managing Director Richard Rowntree was selected. Richard comes from a working-class background and grew up on a council estate, often learning the hard way. He started his career as a cashier at a building society, working hard to prove himself and benefiting from the support of sponsors along the way. Later in his career, he was the first person in his family to gain a degree. Richard is passionate about socio-economic diversity and helping others achieve their potential and is now a board member of Progress Together.

Last year Richard told his story through Paragon's My Whole Self series, in which employees share personal stories about their journey. It encourages employees to be themselves at work and aims to eliminate any unnecessary pressure people may feel to fit in.

As Executive Sponsor, Richard brings EDI to the top table, raising awareness and driving engagement and change. Having a business leader championing the issue provides an opportunity to engage directly with the chief executive and board about the importance of EDI for business success. The role needs someone with energy, passion and the drive to make a difference and Richard has this in abundance. It also gives him a chance to help drive change in the industry and wider society by sharing experiences and learnings.

Richard said, "Measurement is key to actioning change and monitoring progress. We don't want arbitrary targets, but we do need data, and organisations need to understand where they are starting from to track success."

An important part of the EDI strategy at Paragon is a focus on increasing the diversity of Paragon's senior leadership. There are numerous leadership development and mentoring programmes in place to accelerate those from under-represented groups into more senior roles. In addition, EDI Network members are involved in the selection process for all talent development programmes, to challenge any evidence of unconscious bias they see during selection.

Last year, Paragon also started holding Listening Circles for employees from minority groups, each attended by two executives who are there to listen to the experiences, feelings and thoughts of others. Listening Circles are an effective tool for businesses to identify how people are feeling.

During 2022, Paragon became part of only 3% of companies accredited by Investors in People to be awarded its Platinum accreditation, in recognition of its commitment to high performance through employee connection, engagement, wellbeing and organisational culture.

[17] https://www.cipd.co.uk/Images/7926-diversity-and-inclusion-report-revised_tcm18-65334.pdf

[18] hhttps://dspace.mit.edu/bitstream/handle/1721.1/65884/Paradox%20of%20Meritocracy.pdf;sequence=4

Employers

Point Two: Assess. Collect data.

In order to address socio-economic diversity and effectively implement diversity measures that work, employers need to understand their current makeup and levels of diversity. All employers in UK financial and professional services should collect data on the socio-economic background of their employees by 2025.

Below is a list of suggested activities to help you get there, highlighting best practice:

- Collect socio-economic background data on the entire workforce.
  - Use Social Mobility Commission5 key questions – namely, parental occupation of main household earner at aged 14 – as the minimum data point collected, with recommended secondary questions around type of education, free school meals and parental education levels.
- Collect data annually, but ideally continually (at recruitment stage etc), and host within an enterprise HR system (such as Workday).Build trust with employees on the data you are collecting
  - Share why and how data is being collected and analysed to understand socio-economic diversity, alongside other diversity data.
  - Explain the questions that are asked (i.e. how a question on parental occupation helps build a picture of socio-economic background)
  - Tell them what you plan to do with the data and how it will inform a more inclusive internal culture by linking it to specific internal initiatives and activities
  - Assure employees that their data will be stored and handled in line with GDPR practices, and only used in aggregate to make the best decisions for fairer employment practices.
- Explore all diversity data holistically to ensure that programmes and policies implemented to diversify the workforce are not tackled in silos.
  - Collect socio-economic background data alongside other diversity characteristic data and analyse holistically to get a full picture view of diversity.
  - Explore the intersectional trends of diversity to better prioritise activities and focus for early impact.
- Analyse socio-economic background data against levels of seniority (junior, mid-level and senior) in order to examine the progression gap.
  - Use a consistent definition of senior level as board, executive committee, partner and two levels down from these positions
  - Analyse the data collected on the pipeline, career progression, senior management and for attrition and retention rates (analysed by grade).
  - Annually analyse the data to forecast how the workforce has changed over time and ensure that targeted programmes are increasing diversity.
  - Collect socio-economic background data for unsuccessful senior-level applicants to give an accurate picture of senior recruitment process
- Build trust with employees on the data you are collecting.
  - Share why and how data is being collected and analysed to understand socio-economic diversity, alongside other diversity data.
  - Assure employees that their data will be stored and handled in line with GDPR practices, and only used in aggregate to make the best decisions for fairer employment practices.
  - Tell them what you plan to do with the data and how it will inform a more inclusive internal culture.

Why we support these recommendations and how we can get there:

Executive Sponsors and senior leaders play an essential role We are urging all employers in the financial and professional services sector to collect data on socio-economic background by 2025. For organisations that haven't started doing so, now is the time to start.

Diversity has become a central part of organisations' business strategies, but for years socio-economic diversity in the workplace has been overlooked. The same is true with data collection: few FPS organisations collect data on employees' socio-economic background. Although some have begun to start collecting this data, and the legal sector is further ahead due to a mandate by the Solicitors Regulation Authority (SRA), most FPS organisations still have a long way to go.

According to a study by the London Business School Leadership Institute into the diversity of boardrooms of FTSE 350 companies, socio-economic diversity at senior levels is often under-scrutinised due to a lack of data[26]. What little data is available is compiled from different sources, making it difficult to analyse. The researchers found the lack of data puzzling, particularly in the context of increasing momentum to tackle socio-economic diversity, as well as the compounding nature of socio-economic diversity and other characteristics highlighted in the Parker Review[27].

Quantifying the scale of the challenge through data collection will also allow for targeted solutions. While it may take months of collecting data to make considerable adjustments to systems, it is the first step organisations should take to understand the scope of the problem.

In all our consultations, regardless of sector or location, participants unanimously concluded that data on socio-economic background needs to be collected. Participants agreed that data should be collected from employees across all levels of an organisation and be used to track socio-economic diversity at all career entry and exit points: in the pipeline, career progression, senior management as well as attrition and retention rates.

> **“ Data collection is like holding up a mirror to the organisation – it is key in providing evidence to those who think change is not required within their organisations,”**
>
> **- said one participant at a consultation roundtable**

The importance of viewing socio-economic diversity in conjunction with other diversity initiatives and not working in silos are themes that was also echoed throughout the consultations. There was consensus that collecting socio-economic diversity data is a positive approach that will increase employee engagement and align with wider DEI initiatives.

Unfortunately it is clear that the collection of socio-economic background data is often not a priority for businesses today. For example, organisations that signed up to the Women in Finance Charter ranked socio-economic background as the lowest area for which organisations collect data in addition to gender. In 2021, only 20% of organisations viewed it as a priority and only 33% were planning to collect it[28].

One main issue is that socio-economic background is widely recognised as more difficult to define and sensitive to collect compared with other diversity data. Definitions and questions must be well defined and consistently applied to be meaningful. Using the Social Mobility Commission's standardised set of questions and data framework is one way to ensure consistency.

Feedback from organisations to capital market think tank New Financial – also suggests that integrating new systems involves significant investment and can take three to 12 months[30]. Updating or migrating legacy systems and adding new data fields can take time, regardless of the data type. Organisations also need to allow time to adequately prepare teams within the organisation, particularly HR, of the new requirement to share data. Often, senior managers and HR leaders can be apprehensive of sharing data they deem 'theirs', which is why senior level buy-in and careful articulation of the need to share data is paramount, according to New Financial[31]. Having HR involved in planning sessions with senior leaders can also ensure consistent messaging for employees on why this data is being collected. We recognise these challenges and urge organisations to start the process as quickly as possible before they get left behind.

In our consultations, there was a clear consensus that this data must be contextualised, and its use clearly articulated. Senior management led communication was highly supported, with the use of case studies featuring senior staff members from working class backgrounds to serve as role models and examples of data being used for reporting and progress measurement.

[19] https://www.fca.org.uk/publications/discussion-papers/dp-21-2-diversity-and-inclusion-financial-sector-working-together-drive-change

[20] https://www.london.edu/-/media/images/leadership-institute-refresh/frc-board-diversity-and-effectiveness-in-ftse-350-companies.pdf

[21] https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/topics/diversity/ey-what-the-parker-review-tells-us-about-boardroom-diversity.pdf

[22] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004207/2021.07_WIFC_-_Five_year_review_.pdf

[23] https://newfinancial.org/wp-content/uploads/2020/01/A-forensic-approach-to-data.pdf

Case study: Increasing Data Disclosure rates at PwC

PwC launched an internal campaign to increase disclosure rates of socio-economic background data (based on parental occupation) for its workforce.

Data plays a powerful role in diagnosing issues, testing hypotheses and identifying appropriate actions, and measuring/monitoring the impact of those actions. Without robust data it is not possible to calculate and understand the impact of socio-economic background on recruitment, performance, progression, pay and turnover.

Three years ago, PwC had socio-economic background data for less than 25% of its workforce, which limited its ability to analyse the data and complete a robust analysis of the impact of socio-economic background on careers at PwC. To increase disclosure rates, it launched an internal campaign to gather socio-economic background data (based on parental occupation) for more of the workforce. The campaign increased disclosure rates to more than 80%.

Essential elements of this campaign were:

- **Leadership and advocacy** - reinforcing the value of data
- **Building trust** - helping individuals feel comfortable sharing their personal information
- **Being transparent** - explaining how data will be used
- **Consistency** - a sustained and repetitive focus on requesting data throughout the year (for example, aligned to benefits selection and regulatory training)
- **Assurance** - confidentiality of data, stored securely and only shared with those who need access to support inclusion actions
- **Making it meaningful** - providing examples of how data is used – for example, analysing and communicating pay gap information, monitoring applications and hires, promotions
- **Language** - invitation to 'share' instead of 'disclose'
- **Appealing to all** - always have a 'prefer not to share' option

80% of PwC staff have now disclosed their socio-economic background, and disclosure for senior partners is 85%. Colleagues have responded positively to PwC's request to share this data. They have been very clear on why the data is needed, how it will be stored and what it will be used for.

As a result of having this data, PwC has been able to publish the data on the socio-economic background of their workforce by grade in its annual report for the second year in succession, along with the proportion of new hires and partners from lower socio-economic backgrounds and the company's socio-economic background pay gap.

PwC is now working with its People and Organisation team to set business-wide targets for socio-economic diversity.

Employees should feel comfortable disclosing personal information without fear of repercussions. They need assurances that it is anonymous and meets GDPR requirements. Because many organisations currently ask personal questions regarding ethnicity, disability and sexual orientation they are likely to be abiding by GDPR already.

Lack of trust from employees can be a huge barrier to preventing organisations from achieving high disclosure rates[24]. According to the Financial Services Skills Commission[25], organisations with high disclosure rates have a combination of long-term programmes in place to promote transparency, as well targets, reporting, leadership and employee engagement. Transparency can lead to greater employee trust that data is being shared with a purpose of adding value to society and an organisation.

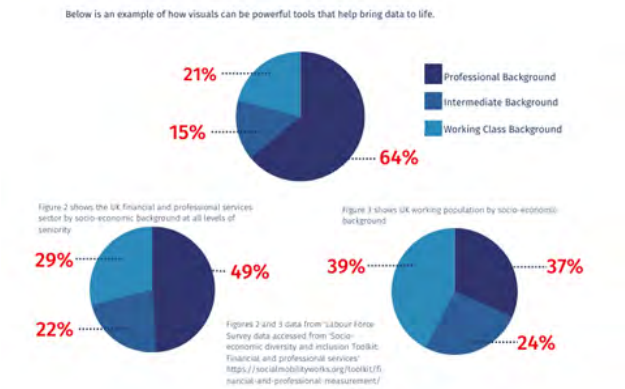
However, being transparent and collecting data are not the only important factors at this stage; careful analysis to measure how socio-economic diversity shifts overtime is also crucial to drive change. Data on every career entry, movement and exit points, will allow for better analysis of trends over time. One participant in the Taskforce consultation said that at their organisation, they pass on data to different departments and teams, so every manager is responsible for building a diverse team. Senior managers also continuously monitor if diversity is taking place and identify areas for improvement.

Organisations that have clear data analytics and dashboards find it easier to spot trends. Data used intelligently can allow programmes and policies to be prioritised. Having an overarching data methodology is important, but the data needs to be contextualised. A representative from a professional services organisation said that they don't just look at the data but also for nuances, to understand the people behind the data. Experiences related to class can be very different for someone in Newcastle as opposed to London, for

[24] https://www.cipd.co.uk/Images/7926-diversity-and-inclusion-report-revised_tcm18-65334.pdf

[25] https://wp.financialservicesskills.org/wp-content/uploads/2020/10/Diversity-Data-the-challenges-of-data-collection.pdf

example. This organisation uses its data dashboard to overlay issues such as ethnicity or even location to understand these complexities, while also maintaining employee anonymity.



- Building the Baseline: Breaking the Class Barrier

In our industry consultations, participants, particularly for those that had not been collecting socio-economic data, expressed a nervousness about taking action and setting targets without having robust data.

“ The more robust your data set, the more insight you will gain. While we recommend aiming for over 80% disclosure, you can still gain valuable insight from around 60%,”
“Even in your first year of data gathering, you can immediately analyse your data to spot patterns and trends. As the data is attributable you can connect it to existing employee data and reach meaningful insights on areas such as representation, pay gaps, recruitment, progression and self-identification rates. It will, however, take at least one year to start quantifying attrition properly.”

- Jason Buwanabala, Senior Manager
in PwC’s Diversity, Equity and Inclusion Consulting team.

For example, if data shows that one department has a higher percentage of employees who aren’t answering the socio-economic background question for data collection, a survey can be conducted to understand why they are not responding. Communications to that department can then be tailored or a diversity meeting set up to highlight the need to increase disclosure rates. It should be emphasised that evidence is needed before effective action can be taken to improve inclusiveness.

Data is a valuable resource to build an evidence base if it is used effectively to test assumptions. It should be used for detailed diagnostics at all grades with a focus on progression, attrition rates, and performance rating. Datasets need to provide a detailed breakdown of a company's workforce to be adequately used and to inform areas where activities need to be taken to increase diversity.

Highlighting data trends in an easily digestible way that can showcase momentum can increase buy-in across the organisation and foster competition among hiring managers to improve their diversity numbers.

Using data rather than personal impressions to guide decision-making does help increase diversity at senior levels, but data alone cannot drive change. A combination of senior level buy-in, careful data analysis and accountability for diversity strategies that are used to challenge the status quo can lead to success[26].

We understand that collecting data within an organisation can be difficult and it can be a challenge to encourage employees to share information. But if organisations are clear about their reasons for gathering data – building confidence among employees that it will be used to create a more diverse and inclusive culture – we know this goes a long way in increasing disclosure.

[26] https://newfinancial.org/wp-content/uploads/2020/01/A-forensic-approach-to-data.pdf

Socio-Economic Diversity Taskforce

CITY OF LONDON

Employers

Point Three: Act and analyse. Take action and monitor what works.

Key to increasing diversity is also increasing equity and inclusion. In order to achieve this, all employers need to take specific actions to boost inclusion and support the progression of employees from non-professional backgrounds into senior roles by focusing on the executive pipeline and mid-level employees and monitoring what works.

Internal Inclusion Activities:

- Set up mentoring and reverse mentoring programmes for those from non-professional backgrounds.
- Encourage storytelling and an open internal culture with people from different socio-economic backgrounds talking about their backgrounds and experiences.
- Develop and support 'champion networks', comprised of non-working-class professionals as well as employees from non-professional backgrounds to maximise engagement and drive the issue forward.
- Encourage role models throughout the organisation to talk about their career paths and to continue to champion the importance of socio-economic diversity
- Collaborate with clients and peers inside and beyond the industry to help raise awareness of the issue
  - Larger organisations should mentor or share resources with smaller organisations.
- Consider removing bonuses that are linked to referrals.
- Identify and address non-inclusive internal practices such as looking at the conversations you are having around the workplace or the social or team building activities you do to ensure they are inclusive for people from all backgrounds
- Take action to tackle accent bias by taking accent discrimination seriously across the organisation.
- Join Progress Together to receive tailored support on the activities your organisation should take to boost socio-economic diversity at senior levels, and to show the sector your organisation is championing socio-economic diversity at senior levels.

Tackling Progression Barriers:

- Identify barriers to progression for employees from non-professional backgrounds.
- Analyse processes for promotion, executive search, work allocation, access to senior sponsors; ensure processes are transparent and open to all.
  - Review organisational structure / hierarchy and understand how talent is defined and whether it is perpetuating inequalities/status quo
  - Promote greater transparency in promotion practices and develop clear frameworks that can help break down homophily (recruiting in one's own likeness) and tokenism.
  - Ensure promotion is based on technical skills and objective measures of performance rather than more subjective measures such as "polish", reputation or networks.
  - Take action to tackle accent bias by taking accent discrimination seriously across the organisation.
- Provide employees from working class or intermediate backgrounds with the career capital to succeed
  - This can include insights into navigating internal politics, increasing visibility and influence, and gaining sponsorship relationships. It moves the conversation away from 'fixing the talent' towards recognising that the system is biased and providing support to navigate itBuild trust with employees on the data you are collecting.
- Ensure middle managers are aware of challenges in the progression of colleagues from non-professional backgrounds and are equipped to respond.

More Inclusive Outreach and Recruitment:

- Broaden outreach when recruiting for senior positions and promoting employees to find candidates from a diverse range of backgrounds.
  - Make this a requirement for executive search agencies.
  - Use "blind" recruitment strategies that remove identifiers such as university, gender and hobbies from CVs and applications.
- Have contextualised lateral recruitment practices that include socio-economic background among diversity

aspects when shortlisting candidates for mid/senior level roles.

Enhance all Diversity, Equity and Inclusion initiatives:

- Include socio-economic diversity alongside other diversity priorities when developing marketing campaigns for employees and clients.
- Share data on the compounding nature of socio-economic background on existing disadvantages associated with gender and ethnicity[27].
- Look at what has worked internally in increasing inclusion for other diversity priorities and see how this can be adapted to work for socio-economic diversity.
- Reward and recognise managers who focus on hiring and retaining diverse teams

Evaluating what works:

- Monitor programmes and analyse performance of internal initiatives against socio-economic diversity data and inclusion metrics to see what works.
  - Each initiative should be rigorously evaluated against internal socio-economic data to see if they've increased diversity.

Why we support these recommendations and how we can get there:

Shifting Company Culture and Taking Action

Organisational culture captures the actions, behaviours, values, and practices that shape the everyday experiences and interactions of employees. Companies must scrutinise their internal systems and cultures to identify these barriers and devise strategies for levelling the playing field. By prioritising inclusion, companies can focus on adopting actions and practices that will drive progress on all diversity metrics, not just socio-economic diversity. Inclusive cultures allow employees of all backgrounds to maximise their potential and have the same opportunities to succeed.

During our consultations, participants acknowledged that culture can be dictated by the traditional characteristics of a company's senior partners or 'partner archetype' that sets the criteria for what good looks like and what it takes to 'fit in,' -- all of which have an impact on who progresses.

Whether or not someone 'fits in' is often influenced by their similarity to the dominant archetype or behaviours. Financial and professional service companies' reliance on 'fit' as an indicator of future success is determined by and based on the majority or those with more power, often narrowly defined, and subject to bias. For those that don't 'fit', they may experience microaggressions focused on their differences that exacerbate the feeling of imposter syndrome or unease about their status in the company[28].

And while socio-economic background can largely be invisible, accent can be easy to identify and can be the primary signal of someone's socio-economic background, according to a report published by the Sutton Trust[29]. Researchers said that accent prestige is deeply entrenched in UK society – with the "Received Pronunciation" or the Queen's English deemed to be spoken exclusively by those from higher socio-economic backgrounds while accents spoken in different geographical locations usually outside of London or the South-West, people are associated with being less well off. Since accents are visible, this can create judgements about someone's background or credentials in the workplace. According to a Sutton Trust survey, 50% of respondents felt their accent could negatively impact their ability to succeed in the future.

In one example shared at the industry consultation, a participant's company had more socio-economic diversity than expected, but employees still felt they had to mask their background to fit in, including their accent. This shows that addressing diversity alone isn't enough, a workplace needs to be inclusive to retain and progress the best talent.

> **"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 and Wellbeing Officer, PwC UK Stability Strategy and Risk, Bank of England (BoE)**

The importance of a strong tone from the top, encouraging others to bring together different perspectives and life experiences was championed by participants in the consultations. Roundtable participants felt that if senior employees were willing to share their backgrounds and vulnerabilities, others may feel more accepted themselves. Visible and vulnerable role models can shift the culture, increasing education, empathy, and understanding different perspectives. Storytelling is an important way to raise awareness of privilege, increase empathy across identities, and dispel assumptions about different socio-economic backgrounds.

[27] Building the Baseline report (cityoflondon.gov.uk)

[28] https://www.themicropedia.org/#/category/class-based

[29] https://www.suttontrust.com/wp-content/uploads/2022/11/Accents-and-social-mobility.pdf

Senior role models from lower socio-economic backgrounds play an important role in signalling the prospects for success among others from a similar background. But if identities are hidden, through choice or otherwise, more junior employees from a lower socio-economic background miss out on a valuable connection and role model.

Another reason career progression remains inaccessible for those from non-professional backgrounds in the financial and professional services sector is that they often lack the career capital to navigate the unwritten rules. Participants highlighted the lack of transparency around progression routes as a barrier to socio-economic diversity at senior levels. While at some organisations, progression policies may be clear, there is often a gap between what should happen and what actually happens, which makes it difficult to know how to progress without insider knowledge (career capital).

“ It’s also about making progression transparent around what do I need to do to make partner? For example, conversations with supervisors during appraisals are not always transparent about what it takes to progress.”

- said one participant at a consultation roundtable

Participants raised concerns that performance is not measured objectively, and that ‘polish’ is often used as an indicator of performance. While subjectivity around high performance forms part of the problem, work allocation also contributes to unequal outcomes.

Recruitment and promotions are not always based on objective measures that would create a more equal playing field for all applicants. Where an applicant went to university or what extracurricular activities they took part in – issues that often reflect social class – are a strong determinant of who gets an interview or promotion[30].

That is also apparent in the academic credentials of the current FPS workforce. According to data from the Sutton Trust[31], 55% of solicitors and 78% of barristers in the UK attended Oxford or Cambridge.

Pedigree or a polished CV is not always an indication of who will be a better worker. In a US based Gallup study[32], whether someone went to an Ivy League college or a public university did not determine future success or workplace engagement. What mattered more was a valuable internship, an interest in the subject matter, and supportive professors.

Similarly, a Bridge Group study[33] on trainees in the law firms revealed that those from state schools were 75% more likely to feature in the top decile of performers than those educated at independent schools. However, the same trainees were less likely to progress in the sector.

“ Most organisations are looking at socio-economic background at junior level by doing university outreach and apprenticeships, which is not funnelling through to progression at senior levels – more focus needs to be on retention and progression.”

- said one participant at a consultation roundtable

Businesses need to review promotion and career progression processes so that employers close the gap between policies (what should happen) and actual behaviours (what does happen).

Providing hiring managers with better interview training and a structured set of interview questions focused on skills rather than fit and polish is one place to start. Additionally, organisations should have diverse panels to assess applicants with multiple rounds to reduce bias.

Organisations should also look beyond elite universities and their usual pipelines to hire a broad range of talent. If a role calls for decision-making skills, stakeholder relations, and strategic thinking, recruiters should look for someone with has diverse perspectives and who understands customers.

When promotion processes are ambiguous, recruiting managers risk using their networks to determine a good candidate for the role rather than assessing all candidates equally. However, networks can be heavily skewed towards favouring employees from professional backgrounds. Research shows that people from lower socio-economic backgrounds have poor social networks and a lack of social support[34].

[30] https://insight.kellogg.northwestern.edu/article/a-tilted-playing-field

[31] https://www.allaboutlaw.co.uk/commercial-awareness/news/aal-statistics-no-change-in-the-oxbridge-private-school-domination-of-the-bar

[32] https://www.gallup.com/services/176768/2014-gallup-purdue-index-report.aspx

[33] https://static1.squarespace.com/static/5c18e090b40b9d6b43b093d8/t/5cd180d73cfb160001436429/1557233888333/03+Research+2018+Progression+law.pdf

This can also play out in a corporate setting. In a survey conducted by the Taskforce, 34% of working-class employees benefited from a senior sponsor, compared with nearly 50% for employees from a professional background[35].

One large UK law firm set up a social mobility network offering participants advice and feedback. The firm also runs a broader mentoring scheme that includes socio-economic diversity as one of its focus areas.

Transparent promotion practices, sponsorship, and storytelling are some measures businesses can take to address socio-economic diversity. But every business should analyse the data and assess programmes to work out what would help them achieve the greatest returns and understand their weaknesses. Addressing the systemic barriers and internalised biases that exist within an organisation is key to making a culture change.

Case study: Hemisphere (RARE Recruitment) at EY

Social class impacts individuals career trajectory and life experiences, it influences who experiences advantage and disadvantage in work organizations, from getting in through to lived experience and progression. Understanding how different communities navigate the organisation and ensuring processes and ways of working are set up in a way for people from all social economic backgrounds to thrive are critical to levelling the playing field.

Recognising the critical role recruitment plays in the DE&I agenda, EY partnered with RARE recruitment to introduce interview training called Hemisphere, which has a specific focus on social mobility. The training has been rolled out to all recruiters and hiring managers across the UK.

This training tool uses content that is current and interactive and can be practically applied to the business. It will enable employees to understand bias they may have, using an innovative tool that analyses their bias in three ways – Race, Gender and social mobility. Gaining an individual, personal result makes a tangible difference to understanding any bias, and in doing so enables a more personal action plan.

This tool will be valuable as part of EY's focus to educate and coach their employees on bias in order to make EY more inclusive and create greater accountability for staff..

Case study: The Power of Storytelling at Bank of England (BoE)

As part of Bank of England's (BoE) five-year strategy to improve socio-economic background, they have a workstream dedicated to colleague engagement. Like the rest of the financial services sector, they have a heavy skew in their senior management cohort that are from a professional background. One initiative they put in place was to ask their senior management to share stories about their background, so they could show colleagues that you do not need to go to a Russell Group university, or university at all, to progress.

It started two years ago, with two of senior management team sharing their stories. Both were working class, with one being the first in their family to go to university. On joining our graduate scheme, they were worried about fitting in as they had not gone to a private school or to one of the top universities. They admitted that their worries seemed well founded when they realised most of the intake had been to those top universities. Then they heard from one of the graduate team that in every graduate intake there was one person that was not academically excellent but had work experience. That person was them. It made them question how they were viewed and whether they could progress. Those worries were unfounded as their career thrived, but their imposter syndrome exists to this day.

The other story was about a senior manager from a working-class background, who despite being eligible for free school meals, their family declined because they often felt too proud to accept assistance. They did not even consider going to university, and on joining the organisation as a school leaver, they bucked the trend and rose through the ranks.

Both stories gained a lot of interest and, as a measure of success, triggered more and more colleagues opening up about their backgrounds, with comments from other colleagues saying how those stories either resonated with them or admitting having biases and making assumptions about other people's backgrounds.

Of course, there is more to do. Their engagement with colleagues continues, meaning that employees have more role models for those from a working-class background. BoE is increasingly talking about the intersectional aspects that bring an extra dimension to the challenges that prevent equity and limit the opportunity to succeed for some employees in the workplace.

[34] https://equityhealthj.biomedcentral.com/articles/10.1186/1475-9276-7-13

[35] https://www.cityoflondon.gov.uk/assets/Business/building-the-baseline-breaking-the-class-barrier-report.pdf

Using Data to Address Inclusion

The data that organisations have captured can help inform where specific actions need to be taken internally, and if these actions are successful in increasing inclusion for employees. Identifying specific problems and using data to evaluate if targeted approaches are working can be crucial to having a strategy that will improve diversity. The customs, traditions and habits of an organisation can all be internalised and play a role in shaping behaviours and decisions among senior managers. Using evidence to challenge bias and assumptions will help broaden a company's culture. Data dashboards and visuals are powerful tools that can highlight a specific problem and provide context to problems that employees may not have known existed.

"We believe a person's background shouldn't dictate their future. We are committed to creating an inclusive environment – where everyone can thrive, develop and succeed in our firm based on their talent and their potential. We welcome this initiative to provide a clear pathway to help all organisations create an inclusive workplace, one where everyone can succeed and thrive at work."

- Jackie Henry, Managing Partner for People and Purpose, Deloitte UK

According to Jason Buwanabala, Senior Manager in PwC's Diversity, Equity and Inclusion Consulting team who regularly consult with clients on DEI data and analytics, "using data is important for organisations to identify issues and take targeted actions based on evidence, rather than a gut feeling."

If data collected shows that there is a particular business area or team that has significantly less diversity than others, specific actions can then be taken to address the issues in this team. Once an area of concern has been identified, it can be further investigated using additional methods such as exit interviews, focus groups, or surveys. According to the Inclusion Measurement Guide created by the Financial Services Skills Commission, surveys are an important way to track progress on interventions so that businesses build inclusive cultures[36]. The opposite can also be true if data identifies a business area or team that has better diversity, lessons can be taken to help other teams or areas.

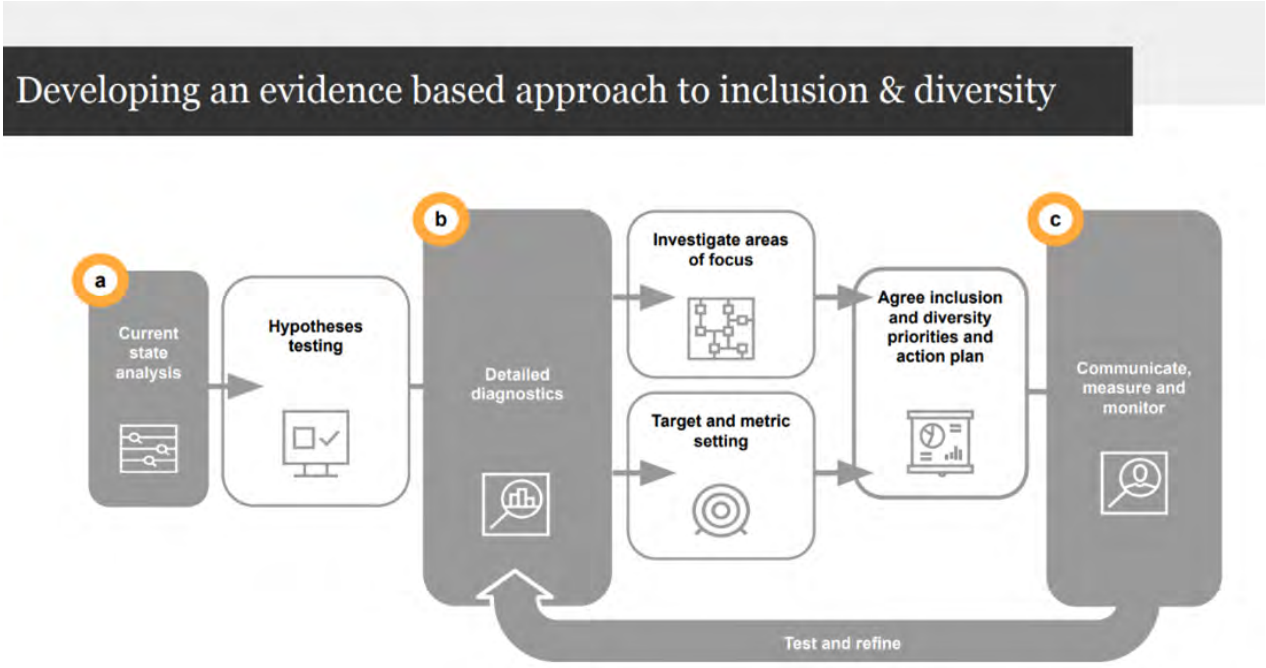
Exit interviews or focus groups are also effective way of identifying trends and uncovering insights on a qualitative basis. Behavioural science researchers, Everett Spain and Boris Groysberg advocate using surveys, one-to-one interviews, questionnaires or a combination of all three to reveal hidden challenges and opportunities to create valuable insights. Taking employees' views into consideration, can also be a way to bolster engagement and maintain retention.

Data analysis should be conducted annually to monitor and assess the effectiveness of specific programmes or actions. If a business launches a communications campaign and holds meetings on DEI and conducts inclusion surveys to increase inclusion, it should review response rates a year later. The insights should be used to take tangible steps to solving and addressing a company's unique challenges.

Uncovering the challenges companies face when it comes to diversity is important, but data analysis and other methods of evaluation can also be used to show what is working well. Businesses should celebrate their successes and share best practice so that the sector can work together to achieve the 50% goal. Working with other organisations is key to producing a skilled workforce across the board.

However, culture change is only possible if those in senior positions who determine the culture recognise its pitfalls and have a shared vision for change. Culture change to drive greater socio-economic diversity depends on the climate for DEI. Systemic bias must be unpicked to incentivise the right behaviours. Building an inclusive culture requires resources, time, and energy, and without passion and an appetite for change from senior managers.

[36] https://wp.financialservicesskills.org/wp-content/uploads/2021/07/FSSC-Inclusion-Measurement-Guide.pdf



- provided by PwC

Case study: Supporting Employers Taking Action at Progress Together

Progress Together is a membership body for UK financial services firms. It aims to level the playing field to create a financial services sector in which everyone working in it, from all socio-economic backgrounds, is both enabled and has equal opportunity to achieve their full potential.

Progress Together members range from organisations large and small. This includes those who are early on in their socio-economic diversity journeys to those who have been committed to this for several years. Progress Together provides opportunities for organisations to learn from each other and share best practice. This is facilitated through targeted webinars, workshops and speaker-based events, as well as peer-to-peer mentoring. Members also have access to tools, case studies, research, detailed guidance along with compelling evidence as to why is change needed.

To support its members on data collection specifically, Progress Together has a partnership with the Bridge Group. Members measure both their starting point and progress over time, as well as anonymously benchmark against peers. They also receive tailored advice on how to increase data disclosure rates and how to use socio-economic background data to target interventions where it is needed most

To support the entire UK financial services sector to increase socio-economic diversity at senior levels beyond its member base, Progress Together signposts to free resources developed by its 20+ Supporters. Progress Together works in partnership with regulators, sector bodies, professional bodies and social mobility charities. Working together, they are greater than the sum of their parts.

For more information and details on how to join, please visit: https://www.progresstogether.co.uk/

Employers

Point Four: Ambition. Setting goals.

Once data has been collected and an organisation has taken action to increase socio-economic diversity, equity and inclusion, they should set targets to incentivise action to increase socio-economic diversity at senior levels.

- Each year set targets for improvement on socio-economic diversity at senior levels, for example 5% improvement
  - Consider your organisation's context current position, size, subsector to set these targets
- For those in the second (or above) year of data collection, set targets for employee self-disclosure of socio-economic background data (>80%).
- For those with an established baseline of data, set targets for absolute representation. Aim for parity between socio-economic diversity across all employees (at junior, mid and senior level) and socio-economic diversity at senior levels.
  - The Taskforce recommends working towards a target of 50% of senior leaders being from non-professional backgrounds to create parity with socio-economic diversity at all levels in the UK FPS sector currently.
- Consider the compounding nature of socio-economic background on other personal characteristics such as gender, ethnicity.
  - Explore whether holistic DEI targets including socio-economic diversity could boost representation of those employees facing multiple disadvantages.

Why we support these recommendations and how we can get there:

The financial and professional services sector has the chance to be at the forefront of socio-economic diversity in the UK by setting and championing targets that aim to increase the representation of people from non-professional backgrounds in their workforce.

"I am encouraged by the level of focus socio-economic diversity has attracted in recent years, with this Taskforce playing a key role in ensuring the momentum continues. The moral imperative and business case for greater diversity within organisations is clear, and it's crucial we continue to work together to ensure the socio-economically disadvantaged have greater opportunities to join and thrive in the financial and professional services industry,"

- Richard Iferenta, Partner at KPMG UK and member of the City of London Taskforce on Socio-economic Diversity

Our ambition is for 50% of the senior leaders across the financial and professional services sector to come from a working class or intermediate background. We are aware that organisations are at different phases of their diversity journey and while there will be ambitious organisations that aspire to reach this target, the 50% ambition is for the entire FPS sector rather than individual organisations.

50%

of senior leaders should come from a working class or intermediate background by 2030.

Appropriate targets can create accountability and help overcome passivity. They encourage measurement and management. Setting senior-level socio-economic diversity targets is an important step towards making progress, which will filter down from the top of the organisation to the bottom.

According to Frank Dobbin and Alexandra Kalev authors of the book Getting to Diversity: What Works and What Doesn't, businesses that set realistic goals, with timetables and detailed action plans, have made the

most gains in diversity. Goals should be detailed, shared internally across the organisation and made public for accountability, and supplemented by an action plan for change and improvement[37].

Within the Taskforce consultations, targets were a widely popular discussion topic that elicited a broad range of responses. Across an overwhelming majority of consultations, targets were recognised as a catalyst to incentivising action on socio-economic diversity.

> **“What gets measured gets done. Putting a target in place allows you to analyse the process end to end and truly assess the impact using real data and not ‘gut feel. We’ve really deepened our understanding of the systemic barriers in place and have been able to address them more effectively by tracking and setting numerical goals and targets.”**
>
> **- said one participant at a consultation roundtable**

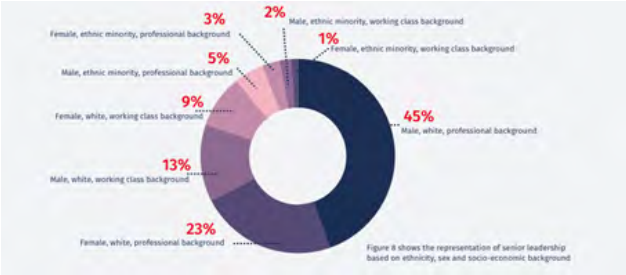
For targets to be useful, they need to be embedded across the whole organisation, not just for recruitment, but for each stage of progression. Improvement targets at each stage, and for each policy or programme, are necessary to create real change.

The purpose of a target must be clearly defined so that it can be used to assess various DEI policies and initiatives – targets should help organisations determine what works and where improvements need to be made. Informed targets can be achieved with clear purpose, definitions, support structures and employee buy-in.

Several individuals within our consultation expressed a reticence towards target-setting as they were still in the early stages of addressing socio-economic diversity within their organisations. We know that targets cannot be adequately set without representative data. That means organisations in the early stages of their journey may be a few years away from setting targets. Some also expressed concern over business size and regional biases in targets. There was feedback that targets can be one-dimensional or hard to embed across organisational hierarchies and are therefore likely to become a tick-box exercise. Making targets achievable and presenting them carefully with justification is crucial.

Years of diversity targets for other aspects of DEI have demonstrated that target-setting can be a powerful tool to change behaviours and promote a shared vision focused on equity led from the top. For example, the Parker Review – an independent commission convened to investigate how to improve greater ethnic diversity in UK boardrooms –[38]. Similarly, the Women on Boards Review’s, goal of having 25% women on FTSE company boards[39].

While we still have a long way to go to reach true parity in every area of DEI, and targets alone cannot fix inequality, they are an effective way to accelerate and measure progress.



- Building the Baseline: Breaking the Class Barrier

Targets ensure that managers who are hiring have a bigger pool of candidates to choose from who may not have been on their radar because they were focused on finding candidates who “fit”. Promotions and hiring shouldn’t be based on a single dimension.

[37] https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/topics/diversity/ey-what-the-parker-review-tells-us-about-boardroom-diversity.pdf

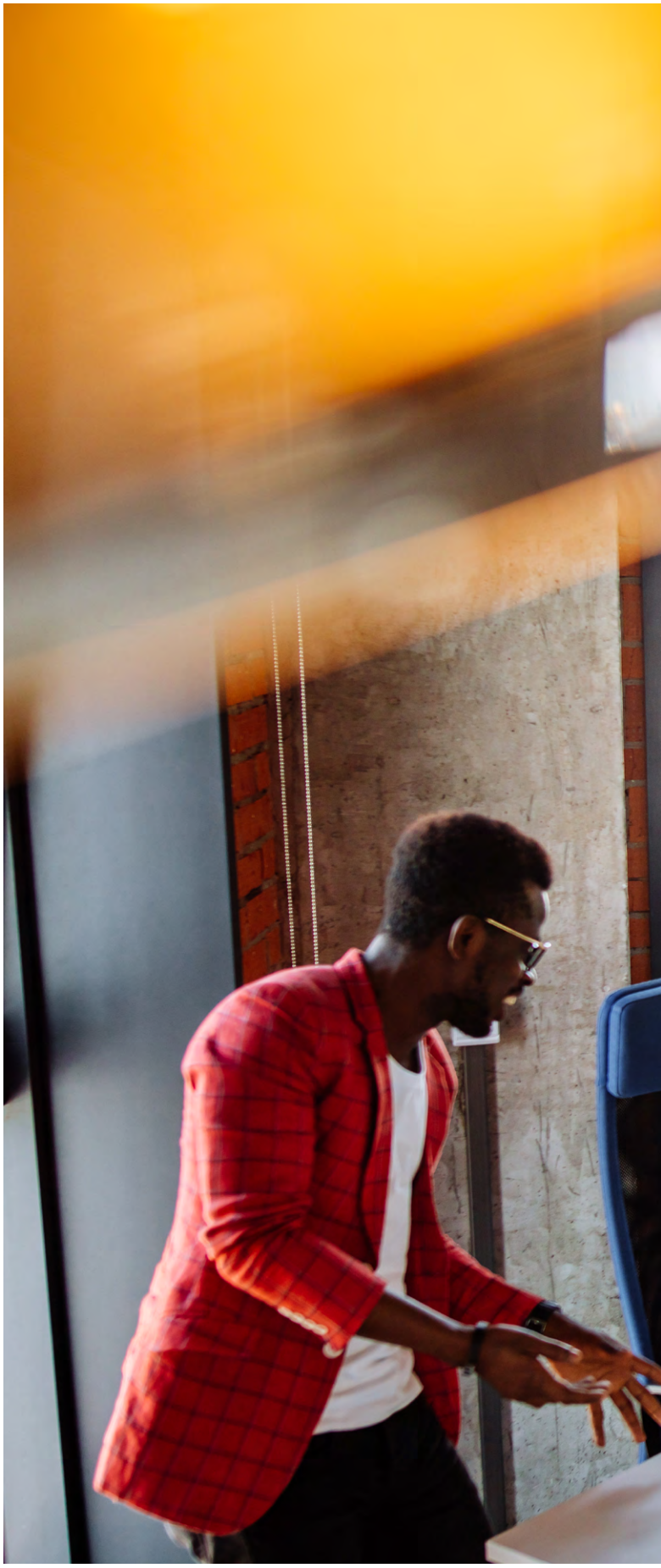
[38] https://www.gov.uk/government/publications/women-on-boards-5-year-summary-davies-review

[39] https://www.ft.com/content/e01b4bc0-8c31-11e8-affd-da9960227309

“We should compare candidates’ characteristics relative to existing employees. The less similar they are to the pool, the greater the diversification gains and the larger the risk-return benefits for the organisation,” said Andy Haldane, former Chief Economist at the Bank of England. “This sounds simple, yet it is a world away from our existing recruitment procedures, which compare individual candidates’ characteristics[40].”

Targets also reduce the chance that decision-makers hire or promote someone in their own image. People tend to favour those with similar backgrounds and credentials. Targets for under-represented groups help focus the minds of hiring managers on the importance of attracting and promoting such groups, helping to counter-act their unconscious bias towards candidates who are similar to them.

FPS organisations need to deconstruct their company culture and understand that hiring and promotions should be based on an employee’s ability to meet the vision and purpose for achieving business outcomes. Targets are one way to get there.



[40] https://www.ft.com/content/e01b4bc0-8c31-11e8-affd-da9960227309

Employers

Point Five: Accountability. Publish Performance.

Employers who have set executive accountability, collected data, taken action and set targets will be well positioned to publish their data on socio-economic diversity at senior levels and what has worked

- Once organisations have representative data on the socio-economic diversity of their employees, publish the data and/or class pay gap, followed by the organisation's targets for improvement.
  - Ensure that data is detailed and supplemented with an action plan for improvement.
  - Follow the examples of KPMG, PwC, Clifford Chance, and Santander, who publish and share the socio-economic data of their employee base.
- Publish the data in annual report statements.
- Publicly share the actions to improve socio-economic diversity at senior levels that your organisation has committed to.
- Share your organisation's progress with employees, investors, and clients.
- Join the Social Mobility Employers Index to benchmark annually against other employers. The index is open to all, and every organisation that enters receives bespoke feedback to improve their social mobility
- Apply to the Social Mobility Awards, specifically, the progression category.
- Be an advocate and help others in your sector – for example, by joining Progress Together, Access Accountancy or PRIME.
- Tips for data publishing include:
  - Be transparent. Even if your numbers are low, make sure what you're sharing is detailed and you have an action plan for improvement.
  - Articulate the need. At the data collection stage and beyond, ensure that you carefully articulate the importance of collecting and publishing socio-economic data, what it will be used for, and why it's being shared.
  - Make data digestible. Lean on data teams to tell a story with your data: make it easily digestible by using graphics and charts.
  - Promote data visibility. Make DEI data easy to find on your website or in annual reports so employees and prospective hires know where to find it.

Why we support these recommendations and how we can get there:

Once companies have begun the journey of collecting data, setting targets and implementing actions to tackle socio-economic diversity, the next step is to publish progress. This is a critical stage towards maturity in the socio-economic diversity journey, both for individual companies and the sector as a whole.

More and more stakeholders (employees, investors, clients) are asking for companies to publicly disclose their DEI data, and regulators are increasingly requiring companies to do so. For example, in a JUST Capital report last year, 73% of Americans believed it was important for businesses to publicly publish data on workplace diversity[41]. The direction of travel is unambiguous, diversity data publishing will become the norm.

In our industry consultations, senior leaders across the financial and professional services sector felt that publishing performance was a powerful way to highlight the actions and progress being made to address socio-economic diversity. As a largely invisible characteristic, employers felt it salient to show employees and prospective hires that the organisation was focused on social mobility and knew the issue was important.

Additionally, several participants said that post-pandemic, many employees are less connected to their organisations, so publishing actions on socio-economic diversity is a straightforward way to reconnect and signal how employers want to make the company culture more inclusive and inviting. Publishing data and actions also shows employees from lower socio-economic backgrounds that people from similar backgrounds are progressing and active within the organisation.

[41] https://justcapital.com/news/95-of-black-americans-agree-that-its-important-for-companies-to-promote-racial-equity-80-believe-they-can-do-more/
[42] https://hbr.org/2022/09/how-companies-should-set-and-report-dei-goals
[43] https://journals.sagepub.com/doi/abs/10.1177/00031224221077677?journalCode=asra

> **“ People assume partners are privately educated, but it’s not always the case. There is value in publishing data, as it could give employees hope. It would be good to see the data for everyone to avoid making assumptions,”**
>
> **- said one consultation participant.**

However, publishing targets and data alone is not enough to be transparent. To be truly accountable, companies must accurately break down data by seniority level, geographic location, and across all characteristics. For example, if a business says their target is for 50% of board members to come from a working class or intermediate background, but only publishes data on the workforce as whole, it's impossible to know the rates at each level of seniority.

Having a detailed breakdown not only provides an accurate depiction of a business’ workforce but allows senior managers to assess if targets are being met and where improvements need to be made. Sharing socio-economic diversity data across the organisation can also be an important way to bring about buy-in across the organisation. Highlighting the gaps can be one way to show the urgency needed to address social mobility, according to researchers[42]. One study revealed that highly visible companies tend to increase their diversity, while those that stay hidden are often slow to make progress[43].

One consultation participant said that after publishing socio-economic data for their law firm, there was mixed success on visibility. The data was hard to find, difficult to understand and failed to reach target audiences. The DEI team is now collaborating internally with the data team to bring the information to life and illustrate where the barriers have been identified. The same firm has also improved how it explains the importance of social mobility and why it is gathering data, as well as using the Social Mobility Commission’s key questions. Its aim is to make the data and socio-economic diversity strategies more tangible for future recruits and current employees. It is therefore very important to make sure that data and targets are published in a clear to access way.

The Challenge

We recognise that there is some fear around companies disclosing data that might paint an unflattering picture of their workforce demographics. But organisations must understand that publishing diversity data is an important and positive action, whatever the data shows.

Even with low numbers, transparency builds trust. Companies that are transparent about their socio-economic diversity data, however unflattering they think they are, will ultimately be looked on more favourably than those that make no disclosures. Businesses that are willing to go public are bravely demonstrating their commitment, credibility and progress around diversity to all their stakeholders. No data is worse than unflattering data. However, we know that for small businesses with fewer than 50 employees publishing can pose a unique problem related to anonymity, so organisations need to do what is right for them.

Given the nascent stage of socio-economic diversity as a DEI priority, there is a stark lack of industry data to date. Our baseline survey[44] provides early benchmarking data for the sector, but much more public data is needed. We must understand the specific challenges faced by different sub-sectors, and the nuances of how socio-economic background intersects with other diversity characteristics. We can only do this once companies start publishing data in this area.

We believe that the first movers towards public disclosures will be at an advantage. The absence of any real industry benchmark so far means that they are unlikely to be judged harshly in a vacuum of reference data and can play a leading role in setting standards and demonstrating progress and trends, with the accompanying reputational benefits this will bring.

[44] https://www.cityoflondon.gov.uk/assets/Business/building-the-baseline-breaking-the-class-barrier-report.pdf

Case study: Socio-economic Diversity Pay Gap Reporting at KPMG

In 2021, KPMG challenged itself to go further by reporting socio-economic background pay gaps for the first time, while also setting a target for 29% of partners and directors to come from low socio-economic backgrounds by 2030. KPMG is one of the first organisations to do so. KPMG recognises that focussing on social mobility and diversity isn't just the right thing to do - helping build a fairer and more equitable society – but it is also a commercial imperative. By having a diverse workforce, the company benefits from the wide range of experiences and perspectives people bring to their day-to-day work – and this helps deliver better outcomes for both our KPMG and their clients.

The publication of socio-economic background pay gaps builds on KPMG's work to improve transparency around pay gap reporting, which it has published voluntarily for several years.

KPMG first had to overcome the complexities traditionally associated with measuring socio-economic background – from establishing a methodology, to having sufficient colleague declarations and ultimately, turning those insights into a tangible action plan. They worked with experts in the field of social equality, the Bridge Group, to advise on the chosen method of calculation (parental occupation groups), the reasoning for this, the definition of socio-economic background and the terminology used.

Unlike traditional pay gaps that have just one binary measure, socio-economic background pay gaps are more complex. KPMG needed to span professional, intermediate and working-class backgrounds and had to illustrate the pay gap between each. While less straightforward, it's only through this focus and level of transparency that they were able to understand what is truly happening within the company, enabling them to take more targeted action.

KPMG's insights told uncovered that senior colleagues are the most socio-economically diverse grades within the business and on par with the junior grades, suggesting that efforts to bolster the diversity of student recruitment is having an impact. The lower levels of socio-economic background representation in middle management however, reinforces the need to have as much focus on 'getting on' as 'getting in' where obtaining diverse talent is concerned.

These insights have helped shape KPMG's Social Mobility Action Plan, focussed on colleague pathways into and through the organisation - from recruitment to progression – removing any potential barriers. This entails new recruitment and talent progression programmes, educating all colleagues on the issue and using parental occupation as a key measure within our HR processes.

KPMG is committed to creating an inclusive environment where all colleagues thrive and reach their full potential, whatever their identity or background. Being transparent about where the organisation is – both in terms of representation and pay gaps - is critical in driving progress, but the company also knows that these insights are just one part of the picture. What's important is what is being done with those insights that go on to improve the lived experience of all of KPMG's workforce.

[33] With senior leaders defined as Board, Exco or Partner and two levels down

[34] https://www.ftadviser.com/fca/2021/09/16/fca-diversity-targets-meaningless-without-proper-data-capture-law-firm-warns/

Case study: Data Publishing at Clifford Chance

At Clifford Chance, inclusion is a core value of the organisation. As a company, they believe that everyone, regardless of their background, should have the opportunity to succeed within their firm and the legal sector.

As part of this, Clifford Chance sets targets and publishes diversity data annually. This allows the organisation to be held to account. It also provides data that are the building blocks of the company's strategy to create an inclusive culture. After all, Clifford Chance believes they cannot provide a workplace that allows a person to be their best selves without knowing what the firm looks like, and what impact internal policies are having on colleagues.

In 2021 for the first time, the company added social inclusion pay gap information to the data published externally. It now sits, alongside gender, LGBT+, ethnicity and disability pay gap data. The pay gaps show work is still needed, but by publishing this information a statement is being made – that Clifford Chance is going to tackle this.

To do that, Clifford Chance needed to better understand whether, and how, socioeconomic background affects entry and progression within the legal sector. Over the years, the company has worked with partner organisations to identify actions it can take to drive change. For instance, Clifford Chance has sponsored research from The Bridge Group to look at admissions to selective UK law schools, participated in the Bridge Group's 2018 report into Socio-economic Background and Early Career Progression in the Law, and contributed to the Bridge Group's 2020 report to understand the role of socio-economic background in progression to partnership.

Sector bodies

Point One: Leadership. Assign responsibility for making progress.

Sector bodies can support employers to establish senior level accountability for progress on socio-economic diversity.

- Share best practice toolkits, such as those from Progress Together or the Social Mobility Commission, within your membership.
- Champion the importance of having Executive Sponsors for achieving progress on socio-economic diversity.
- Organise events for these representatives to come together and exchange ideas on how best to tackle the challenges they face in achieving their goals

Why we support these recommendations and how we can get there:

Sector bodies play an important role in UK FPS, not only providing a convening place for discussions and the exchange of ideas but also giving crucial guidance to their members on a host of issues. We encourage sector bodies to use their convening power to help elevate the importance of Executive Sponsors for socio-economic diversity among their members. Sector bodies should share evidence from other diversity, equity and inclusion (DEI) initiatives, such as the Women in Finance Charter, to demonstrate that assigning an Executive Sponsor can help accelerate progress on DEI holistically.

Sector bodies can play a vital role in increasing awareness around socio-economic diversity and the availability of resources to help employers improve their inclusivity. They should use their regular communications with members to share resources such as the toolkits from Progress Together and the Social Mobility Commission, as well as sharing best practice from members that are further advanced on their DEI journey.

We recognise that different subsectors within UK FPS will have their own starting points and challenges when it comes to achieving greater socio-economic diversity at senior levels. Sector bodies representing these different subsectors can play a crucial role by providing advice and guidance relevant to their members. Members should be able to look to sector bodies to understand what good practice looks like.

Point Two: Assess. Collect data.

Sector bodies can make the case for collecting socio-economic background data and ensure consistent guidance and frameworks.

- Provide a framework for how socio-economic data should be collected, stored and evaluated.

  This framework should consist of questionnaires to ask in surveys, the data points to collect and in which format, how and where to store them and how the results will be stored with regulators.

  Refer to what already exists: the Social Mobility Commission has developed a series of questions and recommendations based on consultation with companies, academics and charities.

- Conduct a campaign for members on the importance of collecting socio-economic background data.

  Provide training and hold events on data collection practices.

  Develop case studies on best practice, featuring members that have greater than 80% data disclosure rates.

  Refer to the business case for collecting data and how to manage GDPR implications.

  Provide opportunities for members to hear from regulators about the importance of collecting data.

  Link employers with organisations that can help businesses improve socio-economic diversity, such as Progress Together

- Encourage organisations to assess socio-economic diversity data alongside other diversity data, highlighting how people classed as having multiple protected characteristics face compounding disadvantages in the workplace.

  Refer to the Taskforce's Building the Baseline report[52] which evidences the intersection between socio-economic background and other characteristics such as gender and ethnicity.

  Encourage organisations to set up socio-economic diversity networks similar to LGBTQ+ or young professional's networks, which can collect and champion the use of data collection.

- Advocate for consistent metrics across regulators/ sectors.

  Respond to ongoing regulator consultations to encourage mandatory data collection similar to call for feedback on diversity and inclusion for the FCA, PRA and BoE joint discussion paper in 2021[45].

  Refer to the Solicitors Regulation Authority (SRA) and The Law Society as a gold standard.

- Collaborate with other sector bodies to avoid reinventing the wheel and provide a consistent message on metrics and questions to ask employees.

Why we support these recommendations and how we can get there:

With a responsibility to set standards and promote the interests of members, sector bodies have an instrumental part to play in challenging the status quo when it comes to socio-economic diversity. Collaborating across subsectors and highlighting organisations that are breaking down the progression barriers of socio-economic diversity can generate competition and promote best practice. Sector bodies can play a role in making the benefits of tackling socio-economic diversity more visible across their membership and assisting organisations with meeting their goals.

Using a consistent, meaningful framework widely adopted across the sector is seen as the best way to ensure transparent data collection and enable industry

[45] https://www.fca.org.uk/publications/discussion-papers/dp-21-2-diversity-and-inclusion-financial-sector-working-together-drive-change

benchmarking. The consensus in our discussions was that a standardised set of questions and a standardised framework and dataset would facilitate consistent reporting and allow industry benchmarking, similar to the gender pay gap.

In our roundtable discussions, several participants supported collecting socio-economic diversity data, but expressed nervousness about their organisation

“ Our research over the last decade demonstrates the benefits to organisations, and to wider society, of more diverse leadership by socio-economic background. The practical advice from the Taskforce is vital for realising this, including the collection of data and introducing practices that are proven to work,”

- Nik Miller, CEO, Bridge Group.

collecting this type of data without oversight or a consistent sector-wide methodology.

One way to guide organisations on how to encourage uptake and submit data to regulators is by hosting sector-wide events. For example, the Law Society held an online event for members on what to ask, how to analyse data and how to increase response rates to questions on socio-economic background[46].

The Investment Association (IA), which represents investment managers, developed a five-step action plan for members to achieve greater socio-economic diversity[47]. The guidance highlights how socio-economic background intersects with other characteristics and sets out ways to overcome barriers to progression.

Sector-wide campaigns can help dispel employer’s reservations about collecting socio-economic diversity data. Case studies of organisations taking holistic steps to collect data across all types of diversity should be published and shared across the sector to show positive approaches.

“ Greater diversity at the top is key to developing an inclusive culture, where people progress on merit irrespective of their background. Collecting and monitoring data on socio-economic background, in the same way we have on gender and ethnicity for many years, plays an important role in achieving these goals. I encourage all organisations – in professional services and beyond – to read this report and use its practical guidance to examine each stage of their colleague journey with the intention of identifying and removing systemic bias and supporting those from disadvantaged background”

- Nik Miller, CEO, Bridge Group.

Where it is permissible for regulators to mandate data collection on socio-economic background, sector bodies should explore the possibility of publishing aggregate data on represented subsectors. This would allow for better cross-subsector analysis and comparison. The SRA and the Law Society are developing this approach, with both organisations encouraging solicitors to complete their individual diversity profile. This dataset allows for more granular analysis of diversity in the profession which is not possible using the aggregated firm data which the SRA collects every two years. The two organisations have a data sharing agreement, so the Law Society can carry out its own research and reporting on the data. This would require coordination between regulators and sector bodies to implement data standards and aggregate company disclosures for comparisons and benchmarking. Having a centralised point of coordination and data storage was viewed by organisations and employees as highly favourable from a data security and governance perspective.

[46] https://events.lawsociety.org.uk/ClientApps/Silverbear.Web.EDMS/public/default.aspx?tabId=37&id=2934&orgId=1&guid=202585ae-671c-4fbe-97ca-e7402650e81f

[47] https://www.theia.org/sites/default/files/2019-09/20190923-socialmobilityreport.pdf

Case study: The Social Mobility Hub at The Law Society

A key purpose of The Law Society is to drive excellence in the solicitors' profession, which includes working to ensure that the best talent from all socio-economic backgrounds can join, progress and succeed in this rewarding and globally leading profession.

The SRA requires all regulated firms, regardless of size to collect, report and publish their diversity data every two years. As part of the Law Society's ongoing campaign to improve social mobility in the profession, the organisation shares resources and best practice with law firms through its social mobility hub to help increase their employee response rates and encourage them to use the SRA's diversity toolkit to benchmark against other similar firms in their region.

The Law Society aligns with the SRA in promoting consistent messages to law firms about how to best measure socio-economic diversity, and how essential collecting and analysing employee socio-economic background data is to boosting social mobility in the workplace. The Law Society does this through social media channels and in the regular email updates for individual members, which have an audience ranging from 180,000 solicitors for the flagship update to 33,000 for a update going to City solicitors.

The Law Society also works closely with the SRA to promote the importance of diversity data that solicitors can share with their employers and in the renewal of individual practising certificates. The Law Society and the SRA have a data sharing agreement which enables the organisation to access the data that the SRA collects from individual solicitors. This is used to supplement and facilitate data collection from member surveys, and carry out further analysis such as in their Annual Statistics Report. As a result, the Law Society can build a more granular and intersectional understanding of the profession's socio-economic diversity.

They also ran two webinars on driving social mobility in the profession: one in partnership with the SRA and the Social Mobility Commission specifically on measuring, collecting and analysis of socio-economic background data, which also featured two law firms sharing their learnings; and one in partnership with The Bridge Group looking at solutions to removing barriers to entry and progression.

The recordings of the webinars are hosted on the social mobility hub, alongside a wealth of resources and also stories from our Social Mobility Ambassadors, who are solicitors from non-professional backgrounds who are willing to act as role models and mentors for aspiring solicitors from similar backgrounds.

In September 2022, the Law Society also published a Diversity and Inclusion Framework, which guides firms through a three-step roadmap for developing and delivering a strategic approach and action plan to embed diversity and inclusion in a way that has a lasting, measurable impact. Within the framework they cover the importance of collecting and analysing diversity data, as well as tips on benchmarking and communicating findings.

[33] With senior leaders defined as Board, Exco or Partner and two levels down

[34] https://www.ftadviser.com/fca/2021/09/16/fca-diversity-targets-meaningless-without-proper-data-capture-law-firm-warns/

Point Three: Act and analyse.

Take action and monitor what works.

Sector bodies should support employers taking action by sharing best practice and facilitating a dialogue of conversation around activities to increase socio-economid diversity at senior levels.

- Invite members who are addressing socio-economic diversity, e.g. those at the top of the Social Mobility Employer Index, to share what has worked with fellow members.
- Develop a member-specific role model campaign to encourage storytelling about background and career progression to be shared across organisations.

  Provide members' senior leaders with examples of effective storytelling sessions for employees.
- Encourage senior managers and HR representatives to review their promotion and hiring practices so that they don't follow archetypes or hire people in their own image.

  Equip employers with best practice guidance for providing clear, transparent and unbiased promotion and progression processes that move them away from an over-reliance on fit.
- Include socio-economic diversity alongside other diversity priorities when identifying speakers for events and when planning diversity and inclusion-related content.
- Articulate why socio-economic diversity is important even when not a protected characteristic, for fairness and equity reasons as well as business benefits.

Why we support these recommendations and how we can get there:

We are calling on sector bodies to urge companies to examine their culture, identify barriers and devise strategies to level the playing field, particularly for progression. Sector bodies should help companies prioritise inclusion by adopting actions and practices that will drive progress on all diversity metrics, not just socio-economic diversity. Inclusive cultures allow employees of all backgrounds to maximise their potential and have the same opportunities to succeed.

From our industry consultations, participants resoundingly agreed that financial and professional services businesses from the same subsector should coordinate and work together on diversity. As part of this, participants felt strongly that the sector needs to do more to share best practice on what works for businesses of a similar size, sector and region. Many examples of good practice to boost inclusivity can be drawn from diversity initiatives around gender or race. Sector bodies can be the conduit for subsector and cross-sector collaboration and sharing what works.

A good example is from City HR's guide on improving ethnic diversity that focuses on sharing best practice from FPS organisations. It provides resources businesses can use to address ethnic diversity. Sector bodies should similarly show how companies are increasing diversity, provide information on organisations that can assist with socio-economic diversity employer actions, and give evidence for what works.

Sector bodies must recognise the unique challenges of socio-economic background, which is an often invisible characteristic. The invisible nature of social background, and the historic tendency of working-class people to conceal aspects of their identity to fit in, means that socially diverse employees are not always visible to their peers. Senior leaders from non-professional backgrounds life experiences are not necessarily visible to other employees, making it imperative that companies encourage storytelling and champion networks to increase awareness across the workforce. Building transparency and a clear narrative around socio-economic diversity is critical for encouraging open dialogue and removing the pressure for working class employees to hide their identity.

“ The power of personal story sharing and being willing to be open is phenomenal,” said one consultation participant.

Sector bodies can encourage storytelling by developing a toolkit or giving guidance on how it can be handled across organisations. Shared experiences and open dialogues promote inclusion and make an organisation more inviting. Storytelling can drive socio-economic diversity at senior levels through retention and internalised success, challenging the partner archetype and any stigma around socio-economic background.

While storytelling is important, businesses should also focus on the programmes they institute to help employees progress. This can be new recruitment strategies aimed at disadvantaged groups or transparent promotion practices. Sector bodies should review what is successful and leverage the work of organisations already working to tackle this issue.

For example, the Association of British Insurers works with Progress Together, the Social Mobility Commission and the Kickstart Scheme to ensure they encourage their members to adopt a range of actions to improve social mobility[48].

Sector bodies should provide blended learning opportunities in a range of formats that will raise awareness among hiring managers of how culture, including partner archetypes, fit and exclusion, can be internalised and impact the representation of those from lower socio-economic backgrounds. It can also raise the profile of socio-economic diversity as an untapped opportunity to move businesses beyond compliance.

Case study: Sharing Best Practice, Financial Services Skills Commission

The Financial Services Skills Commission (FSSC) was established to work directly with the financial services sector to ensure that firms have the talent and skills they need to remain competitive, productive, and innovative.

Understanding an individual's socio-economic background has become increasingly important for organisations as they look to better appreciate the make-up of their workforce, improve diversity and inclusion, and attract and retain the talent they need to succeed.

To support this important agenda, the FSSC works in partnership with its members and other industry bodies and has developed a range of key products, insights, and guidance to help firms address socio-economic diversity:

We have produced an insight paper including best-practice guidance on collecting Socioeconomic background data. This highlights the challenges of collecting diversity data and explores how organisations can improve self-reporting techniques. Improved data collection is essential to support greater representation and improve the attraction and retention of talent and skills to drive sustainable growth. The paper includes a case study from FSSC member Phoenix Group and highlights how the insurer effectively measures socioeconomic background data to improve attraction, progression and retention across different socioeconomic backgrounds and other diversity characteristics.

In February this year, we partnered with the Financial Services Culture Board to produce a report on Inclusion across financial services: Piloting a common approach to measurement. This is the largest sector survey in the UK on inclusion to date, covering over 3,000 employee responses. The results showed that measuring inclusion in the workplace, developing a culture of listening, and prioritising inclusion alongside diversity in the Boardroom is key to attracting and retaining talent across financial services.

To help firms gain a more in-depth picture of inclusion across their workforce and to improve and standardise inclusion measurement, we have also created the Inclusion Measurement Guide (updated in July 2022). This focuses on three priority areas where firms must build more inclusive cultures: leadership, safe and speak up culture, and inclusive systems and processes. These can be measured through the assessment of employee perceptions, actions, and company structures. As well as helping firms to become more diverse and inclusive employers, the Guide also enables them to assess and analyse their working culture and identify areas for development and improvement.

environment for both staff and students (use FPS example though)

[48] https://www.abi.org.uk/about-the-abi/abi-diversity-hub/social-mobility/

Point Four: Ambition.

Setting goals.

Sector bodies can encourage member organisations to set targets on senior-level socio-economic diversity.

- Provide guidance to members on setting socio-economic diversity targets, including:
  - Targets for improvement – for example, 5% improvement on senior level socio-economic diversity.

    For those in the second (or more) year of data collection, targets for employee self-disclosure of socio-economic background data (>80%).

    For those with an established baseline of data, targets for absolute representation.

    Considering cross-cutting targets to boost representation of employees facing multiple disadvantages.
- Develop case studies: feature members that have set improvement or absolute targets on senior level socio-economic diversity, and those at various stages of the journey.
- Link members with organisations that can help businesses achieve their goals (see appendix for a list of organisations).

  Refer to this document set by the Taskforce for employer actions.
- Encourage regulators to ask regulated organisations for details about any self-set socio-economic diversity targets and progress against those targets.

  Encourage regulators to champion this document. As relevant, respond to regulator consultations and advocate for socio-economic diversity to be treated equally to other diversity characteristics.
- Conduct ongoing research into the effectiveness of values-based versus target-based progress (with a view to identifying barriers to cultural change and/or understanding socio-economic diversity attrition).

Why we support these recommendations and how we can get there:

Target-setting using specific numeric goals helps companies to be accountable for their stated ambitions and to implement specific strategies and actions to achieve those goals.

The Taskforce recommends that sector bodies work with FPS companies to set an agreed standard that allows member organisations to benchmark their position against their peers. A subsector benchmark will contextualise what is achievable for organisations that are similar in size and sector. Participants at our consultations agreed that this was the best way to set targets. Many had been unsure how to measure socio-economic diversity and said they would struggle to set realistic targets, so sector bodies have an important role to play.

The Law Society is one example of how sector bodies can help organisations with target-setting. It publishes the internal targets on race and gender set by organisations with a successful diversity record, so that members can see what good looks like[49]. A similar initiative that highlights socio-economic diversity benchmarks would be a good starting point to support organisations looking to improve in this area.

> **“ One of the challenges is that if organisations set targets, we just end up moving diversity around the profession. [We, the industry,] need targets at different levels and entry level targets are therefore key,”**
> **- said one consultation participant.**

It was agreed that target-setting can be economically important, particularly for strategic workforce planning. But consultation participants said there should be common definitions, accurate data and clear explanations around the purpose and business case for targets.

The Association of Chartered Certified Accountants (ACCA), provides an annual snapshot of inclusion and diversity, surveying employees in organisations across its global membership[50]. ACCA outlines the business case for DEI and provides recommendations and tools that its member employers can use to improve workplace culture.

[49] https://www.lawsociety.org.uk/topics/hr-and-people-management/promoting-race-inclusivity-in-the-workplace-a-toolkit-for-firms

[50] https://www.accaglobal.com/uk/en/professional-insights/global-profession/diversity_inclusion.html

Buy-in at industry and company level was cited frequently in consultation discussions as being an important facilitator of effective target setting. However, respondents said additional programmes and support structures were needed to embed the necessary cultural change.

Sector bodies should continue to highlight companies that exceed targets and share best practice, so that similar organisations can adapt to create a more inclusive culture. Organisations will need help changing their workforce culture and reaching self-adopted targets, and they need to be urged to take action by sector bodies.

We are urging sector bodies to support employers reaching the sector-wide target of 50% of senior leaders coming from working class or intermediate backgrounds.

Point Five: Accountability. Publish performance.

Sector bodies: support employers publishing their performance.

- Ensure that socio-economic data publishing and collection doesn't turn into a tick-box exercise by providing organisations with best practice from members.
  - Organisations should be given guidance on how to adequately evaluate the data to increase share of socio-economic diversity at senior levels.
  - Show organisations how to articulate the data they've collected through visuals and illustrating how change will be made.
- Point to recommended activities from this document to make incremental change each year.
- Track, publicise and publish sector-wide or member progress year on year.
  - Consider providing a platform for members to publish their data.

Why we support these recommendations and how we can get there:

Businesses need to be held to account on socio-economic diversity by being transparent and open about their strategies to tackle the issue. Publishing goals, progress reports and data can offer insights into improvements and the diversity status of a business. Decades of research on diversity initiatives show that accountability, handled correctly, can be a force for change[51]. However, with socio-economic diversity initiatives currently less of a priority for some organisations, businesses are struggling to find what works.

Producing guidance for businesses on best practice has been the primary recommendation for sector bodies in this report, and that extends to data publishing and accountability measures.

From our consultations, participants were adamant that data should be published showing attrition and progression rates to view how diversity is moving around Participants in law firms, for example, argued that data publishing is one way to hold them to account, as some law firms progress can be slow. The FPS sector needs to match the progress made by organisations that have fast-tracked improvements in diversity.

One way to ensure that businesses are held to account is to publish sector-wide benchmarks and data, working with regulators for accuracy and transparency. As a Taskforce, we recommend that sector bodies explore the collection of socio-economic diversity data (whether directly from members or from regulators) and publish it publicly by subsector for greater analysis, transparency and competitiveness.

The Legal Services Board (LSB) diversity dashboard, for example, provides an easy-to-understand overview of regulated organisations' diversity data. While this is solely the workforce data of regulated organisations across the legal profession, a similar dashboard for member firms would make analysis easier and allow businesses to see where they rank in comparison with their peers.

The Institute for Faculty of Actuaries (IFoA) produces a diversity monitoring report across its membership using reported surveys. Publishing the diversity of member organisations can be another way to highlight the current challenges if access to organisational data is not available.

Sector bodies have a key role to play in ensuring that the data available is put to good use as easily accessible assessments and comparisons.

[51] https://hbr.org/2022/09/how-companies-should-set-and-report-dei-goals

Case study: Reporting Socio-economic Diversity for Members at the Institute of Faculty of Actuaries (IFOA)

In October 2021, the IFOA published the IFoA diversity monitoring report 2021. The report captured key information about their members and presented focused reporting on gender and socio-economic diversity, using data from the IFoA's first ever member diversity monitoring survey, conducted earlier in 2021.

As a relatively small profession, it's important to attract and retain talented people from all backgrounds and having identified social mobility as an issue across the IFoA membership and within the profession. For the survey, the company prioritised socio-economic background of their membership alongside protected characteristics.

Designing and delivering the survey

The IFOA drew on expertise from employers and individual members, especially those with experience in the Human Resources space, where this kind of data collection is common practice. They were able to use volunteer networks to find members happy to share best practice, identify potential pit falls and offer guidance, especially when designing data collection for a global membership.

The IFOA also drew on resources from cross-sector bodies like the Professional Associations Research Network (PARN) and DEI focused bodies like the Equalities and Human Rights Commission (EHRC) to ensure that questions aligned with similar organisations and to follow best practice in data collection, retention and privacy.

Challenges

One of the main challenges the IFOA faced, was devising a set of questions based on socio-economic diversity that was relevant to a global membership. They decided to use a UK specific set of questions for UK members to benchmark data.

As this was the first-time members were asked to share this type of data, it was also important to reassure and address concerns around anonymity and confidentiality, especially for our members based in areas where the collection of this type of data may not be common.

Driving participation

Communication was key to engaging members and gathering meaningful baseline data. The IFOA made a strong case for the importance and benefits of collecting this type of data and the positive impact it would have for members.

They appealed to shared values around fairness and transparency in our communications -- values which are not just organisational, but embodied in the profession's code of conduct, the Actuaries Code. It was important to tap into the desire for all members to ensure culture, processes and decision-making are fair and open for all our members as they progress through their membership journey.

Regulators

Point One: Leadership. Assign responsibility for making progress.

Regulators can advise regulated organisations to assign accountability for socio-economic diversity to senior leadership

In accordance with specific mandates, ask regulated organisations to assign accountability for socio-economic diversity, alongside other DEI objectives.

- Urge regulated companies to follow good practice on senior level accountability for diversity.
- Suggest to companies that they assign an Executive Sponsor accountable for socio-economic diversity specifically.

Why we support these recommendations and how we can get there:

SRegulators can play a pivotal role in encouraging companies to assign Executive Sponsors for socio-economic diversity within their organisations. Companies often look to regulators for vital guidance on best practice for governance and risk management. By stressing the importance of senior level accountability for socio-economic diversity, regulators are in a unique position to encourage companies to assign Executive Sponsors to drive progress on this issue.

By encouraging regulated firms to assign Executive Sponsors, regulators can also streamline reporting and communication channels to monitor progress on socio-economic and other diversity characteristics.

We urge regulators to treat socio-economic diversity as they would gender and ethnic diversity in any guidance or regulations they may issue and to help increase awareness of it as a diversity characteristic.

Point Two: Assess. Collect Data.

Regulators should mandate data collection on workforce socio-economic background among regulated organisations and collate the data across the sector.

- Where it is permissible for regulators, mandate the collection of socio-economic background data of all employees against levels of seniority[52] for regulated organisations.
  - Outline the rules and requirements or expectations for gathering socio-economic diversity data.
  - Take strong measures for organisations that are non-compliant.
- During panel sessions or speaking events, publicly share the value of having socio-economic diverse organisations, particularly at senior levels.
- Work with relevant stakeholders to encourage the development of a consistent framework (including common questions asked of the regulated community, and the Social Mobility Commission key questions as the minimum datapoints collected) that enables cross-sector comparisons/benchmarks.
- In one-to-one supervisory meetings with regulated organisations, discuss performance on data collection (data disclosure rates) as well as socio-economic diversity at senior levels.
  - Refer to this document for employer actions set by the Taskforce to regulated organisations.
- Work with sector bodies to share best practice.

Why we support these recommendations and how we can get there:

We acknowledge that each regulator has key objectives and mandates regarding what they are permitted to mandate from their regulated organisations. However, we believe excluding socio-economic background from diversity considerations not only threatens the productivity and competitiveness of an organisation, but also reinforces existing inequalities. This in turn leads to missed opportunities for businesses to thrive. Not addressing the progression gap linked to social class has wider organisational and societal repercussions that could not only put businesses, but also potentially the whole financial and professional services sector, at risk.

We know regulators have been vocal about increasing equality and diversity of thought within the FPS workforce – the Solicitors Regulation Authority (SRA) has been mandating the collection of socio-economic background data of its regulated organisations since 2013. Financial services regulators have the chance to build on this momentum to encourage better socio-economic diversity across the UK FPS sector.

Where it is permissible, regulators should make data collection on socio-economic background mandatory to all regulated organisations. Regulatory oversight can lead to greater improvements in the socio-economic diversity of regulated organisation. Evidence shows that when there has been voluntary reporting data collection, disclosure rates have been low, even for more established characteristics[53]. This can also be seen in the 42% drop in gender pay gap reporting, which became optional during Covid[54].

In our consultations, FPS participants tended to favour a 'stick' approach from regulators to ensure that employers prioritise socio-economic background alongside other diversity characteristics. The majority of participants agreed that mandating data collection for socio-economic background would tackle the lack of consistency regarding metrics as well as poor tracking and evaluation.

> **"Without data, we're just wandering around a room without a light on. Data is required to make progress,"**
> **- said one consultation participant.**

[52] Senior leaders defined as board, executive committee or partner and two levels down

[53] https://www.ftadviser.com/fca/2021/09/16/fca-diversity-targets-meaningless-without-proper-data-capture-law-firm-warns/

[54] https://www.ft.com/content/24d5caad-9c67-4f78-9d85-7ef6dc71a93d

There was hesitation among some participants of an unwelcome spotlight being shone on the lack of diversity in some organisations. This demonstrates why mandating data collection is important to encourage uptake across the sector: a fear of what they might find cannot be an excuse for inaction by companies. Organisations are already required to submit other diversity characteristics to regulators; data on employees' socio-economic background should be a part of this.

Agreeing a standardised set of data-gathering questions during the hiring process, to be collected as part of annual compliance accreditations and other diversity metric surveys, is fundamental to creating a consistent, usable framework. It was identified that regulators can set standards and provide guidance to individual organisations in order to combat the hesitancy from some organisations about collecting this data.

An SRA representative emphasised how important it was to use nationally recognised diversity questions, so organisations can benchmark the sector against the national picture. The SRA started collecting data from law firms on the socio-economic background of their staff before there was a standardised approach. The SRA has kept pace as the questions have evolved, but this can present difficulties in consistently tracking trends across all of the socio-economic indicators. For organisations starting to collect data, using the questions now recommended by the Social Mobility Commission as standard will mean a smoother journey to build data and identify trends over time.

The SRA has also embraced collaboration with others in the legal sector to develop better data and promote consistency. The SRA has sought to encourage and support firms to report their data and compliance rates have increased year on year, reaching 96% in 2019.

As well as encouraging a consistent approach to data collection across the sector, the SRA works closely with the Law Society to build a more granular and intersectional understanding of socio-economic diversity in the profession. For example, the SRA collects data from individual solicitors to which the Law Society has access through a data sharing agreement.

However, organisations should still be encouraged by regulators to annually assess the data they collect to ensure they are making progress on senior level representation.

DEI initiatives should not be tackled in a piecemeal way, and regulators should highlight the importance of socio-economic diversity as an integral part of a business' DEI strategy alongside other diversity characteristics.

Case study: Lessons Learned from Mandating Data Collection with the Solicitors Regulation Authority (SRA)

The SRA has been collecting data on socio-economic background of staff from solicitors' firms since 2013. Firms are required to monitor the diversity of their workforce, across a wide range of diversity characteristics, report that data to the SRA and publish a summary of their diversity profile.

The process has evolved since it was first introduced in response to the Legal Services Board's 2011 initiative to promote better data in the legal sector. The SRA has included the requirements in its Code of Conduct for Firms, which applies to all firms regardless of size, and provides a standard questionnaire and guidance on its website.

The data is collected every two years and firms can use the SRA's firm diversity data tool to benchmark themselves against the diversity profile of the profession as a whole. This tool allows firms to explore the diversity profile in law firms for a variety of roles across all diversity characteristics. It is possible to view the picture across all firms or focus on firms by size (number of partners), geographical region or work type.

The SRA has sought to encourage and support firms to report their data and compliance rates have increased year on year, reaching 96% in 2019. However, there was a drop to 90% of firms reporting their data in 2021, probably related to pandemic pressures. As a result, the SRA engaged with the firms which had not reported and pushed the compliance rate to almost 100%, with a handful who still failed to report being referred for investigation.

Although there is always more work that employers can do to encourage staff to be open about their socio-economic background, the SRA's data suggests that declaration rates overall are good. The number of people who prefer not to share information about their background has steadily gone down over the years for all staff working in law firms. In 2021 only 11% preferred not to declare their parents' occupation and 6% the type of school they attended. Law firms are well placed to use the data they have about diversity in their workplace to implement the actions recommended in this report to drive progress.

Point Three: Act and analyse.

Take action and monitor what works

Regulators should encourage taking action to improve socio-economic diversity at senior levels among regulated organisations.

- Request information from regulated organisations' socio-economic diversity strategy and pathway to improvement. Refer to organisations available to support (see appendix).
  - Request regulated organisations to report their progress to the regulator on a periodic basis and explain any failures to achieve targets or milestones.
- In meetings with regulated firms, inquire about company culture, board makeup and the steps companies are taking to improve the progression of employees from non-professional backgrounds into more senior roles.
- Where permissible, add socio-economic diversity into corporate governance codes, alongside other DEI characteristics.
  - For example, the Financial Reporting Council's UK corporate governance code requirements for DEI.
- Articulate why socio-economic diversity is important even when not a protected characteristic, for fairness and equity reasons as well as diversity of thought and consumer interests.
- Include socio-economic diversity alongside other diversity characteristics when identifying speakers for events, and when planning diversity and inclusion-related content.
  - Only contribute speakers to events where panels prove they respect diversity including in socio-economic terms.
  - Where possible, be vocal about the compounding nature of socio-economic background on other personal characteristics.
- Set an example by adopting best practice on socio-economic diversity and inclusion within your own organisation.

Why we support these recommendations and how we can get there:

After years of diversity initiatives, employers have typically been using a single lens approach to diversity, which has led to targets stagnating for a range of diversity characteristics. Company culture can be a big impediment to inclusivity and change.

According to Dr Louise Ashley, author of Highly Discriminating: Why the City Isn't Fair and Diversity Doesn't Work, while company culture does play a role in perpetuating social inequalities, it is not the only way to solve it . Changing structures and systems will promote more radical change; shifts in culture will follow. Customs, traditions and habits are so embedded in organisational culture, she says, that despite the business case for diversity, hiring managers tend not to change their approach.

Addressing socio-economic inequalities is a primary component of having a functioning, fair, and safe financial and professional services sector. Not only are larger societal issues at play, but also economic ones – the sector cannot act responsibly if it is not representative of the consumers, customers and society it serves.

Without strategies and data from businesses, the barriers will not be known, and corrective changes cannot be made. As a Taskforce, we are calling for regulators to request and assess action plans for socio-economic diversity.

Socio-economic diversity should also be built into corporate governance codes, requiring organisations to explain why a specific provision has not been sufficiently undertaken and why certain measures have been avoided. As the Financial Reporting Council makes clear, codes must have clear and meaningful explanations, outlining the risks of non-compliance and offering greater transparency for shareholders, regulators and employees . This approach offers more flexibility as it is not legally binding, but it is not voluntary so requires an adequate response.

Talent is often too narrowly defined, and equally qualified candidates are overlooked and not progressing due to opaque processes. Progression and hiring practices need to be assessed and pay structures evaluated, so that they treat everyone fairly. Regulators should work with businesses to ensure that diversity programmes meet their targets, requesting more details when they do not.

While all diversity characteristics are important, research shows that socio-economic background is one of the main defining factors that predicts a person's outcomes in life. Socio-economic background not only determines a person's financial security and career aspirations, but also their quality of life . As a result, regulators should put more emphasis on addressing the class inequalities in the sector.

Point Four: Ambition.

Setting goals

Where permissible, regulators should ask regulated organisations to adopt self-set targets and ask for details on their plan for achieving them.

- Where permissible, ask regulated organisations to adopt self-set socio-economic diversity targets and their progress against those targets.
- Share and speak about best practices with regulated companies, as ambitious internal targets can help propel the sector towards the Taskforce's sector-wide 50% goal.
- Adopt targets internally in your organisation and speak publicly about own practices to set an example
- Encourage the financial and professional services sector to use the framework and guidance devised by the Social Mobility Commission (for all levels of seniority) to ensure consistency.

Why we support these recommendations and how we can get there:

Target-setting helps companies build trust with stakeholders, demonstrating their seriousness and commitment towards achieving socio-economic diversity and inclusivity. Target-setting is not simply about hitting or missing a numeric goal; it is an unambiguous statement of a company's aspiration and a signal to employees and clients that they are truly committed to building a diverse and inclusive culture.

From addressing systems that ensure the fair sourcing of candidates from non-professional backgrounds in hiring processes, to addressing the promotional and career support systems that see those individuals progress, this focus is core to success. Monitoring these targets, which should be built into socio-economic policies and programmes, will start to drive changes in culture.

As a Taskforce we believe that target-setting for socio-economic diversity supports regulators mandates and primary objectives as well as encourage action from employees. Where it is permissible, we encourage regulators to ask and require organisations to put in place targets and a strategy for socio-economic diversity, particularly at senior levels.

In our industry consultations, respondents agreed that socio-economic background is viewed as the least important characteristic that their organisation focuses on within DEI initiatives. To increase the exposure and importance of socio-economic diversity alongside other DEI characteristics, the regulatory agenda must be broadened.

Socio-economic background should be included as a wider regulatory goal. The FCA, for example, should include socio-economic data as part of its new Listing Rules, which require organisations to include a statement in their annual financial statement on whether they have met targets on board and board committee diversity[55].

It is important for regulators to ensure that organisations have targets for each stage – in the pipeline, career progression, senior management – to prevent talent from moving around the sector to meet targets. An organisation-wide approach to target-setting helps limit employees being hired solely to meet targets – when there is a wider talent pool with transparent progression practices, meeting targets should happen organically.

When it comes to attrition and retention, the effectiveness of targets will be undermined if the loss of socio-economically diverse people higher up the ladder is not monitored and understood. Questions need to be addressed including: What experiences are they having? Are there particular obstacles to their progression that can be identified? What action could be taken to address this?

Respondents suggested that compulsory targets should not be set until data collection and disclosure rates have matured and the landscape is fully understood. While data gathering is in its infancy, regulators should work with external stakeholders to ensure that best practice is shared.

[55] https://www.fca.org.uk/news/press-releases/fca-finalises-proposals-boost-disclosure-diversity-listed-company-boards-executive-committees

Point Five: Accountability.

Publish performance

Where permissible, regulators should publish aggregate data from regulated organisations.

- Where permissible, aggregate and publish data on socio-economic background for regulated organisations.
  - Data should be published alongside other DEI data to explore how these characteristics interact so that collective action can be taken.
- Publicly advocate for organisations to publish data on socio-economic diversity.
  - Advocate for the larger organisations to publish this data in the near future while allowing smaller organisations to publish where permissible.
- Share best practice with regulated organisations based on experiences internally.

Why we support these recommendations and how we can get there:

In our industry consultations, participants from a range of sectors within FPS agreed that organisations need to be held to account on socio-economic diversity for change to occur more rapidly. It was agreed that publishing data to showcase where businesses are in their socio-economic journey and how things are improving is one way to ensure accountability.

We are calling for regulators to publicly advocate for data publishing on socio-economic diversity, applying regulatory pressure where it is permissible.

Publishing statistics on the diverse makeup of FPS organisations has been one of the favoured approaches to encourage more diversity in the sector. Publishing data allows for a more granular subsector analysis, spurring competition by publicly revealing organisations that continuously fail to address diversity compared with their peers. It also offers a level of transparency into an organisation's workforce. Through annual data disclosures, organisations can be monitored to see if they are taking action to tackle diversity

> **"Now is such a good time to be thinking about culture now that things have eased from the COVID pandemic. Individuals feel less connected to their organisations. Publishing data will be a signal of organisation culture,"**
>
> **- said one consultation participant.**

Without regulatory oversight, publishing is less likely to be reported by some organisations. For example, when the Government temporarily suspended the gender pay gap reporting requirement, there was a 42% drop in the rate of organisations reporting from 2019 to 2020 (with even fewer reporting in 2021). MP and chair of the parliamentary Women and Equalities Committee Caroline Nokes told the Financial Times that companies will continue to flout the rules unless there is enforcement[56]. This example highlights the need to have stricter compliance measures in place so that organisations are spurred to take action. While not all organisations are actively circumventing data publishing requirements, applying regulatory oversight where it is permissible may be required for full transparency.

As an example, the SRA currently requires regulated law firms to publish a summary of the diversity profile of their staff every two years, including their socio-economic background. The SRA provides guidance on how to do this and recognises that firms must achieve this while complying with data protection legislation.

Failing to address inequality has the potential to put businesses at risk. The world is complex and senior management needs to reflect the broad array of businesses and customers it represents. Teams that share the same skills, experience and knowledge miss opportunities to see gaps in their thinking or the wider picture. To grow and become more innovative, businesses need diverse ideas and novel ways of thinking or else there's a risk of compromising standard business practices and operating procedures.

[56] https://www.ft.com/content/24d5caad-9c67-4f78-9d85-7ef6dc71a93d

Case study: Using data to drive action at the Legal Services Board

As the oversight regulator for legal services regulators in England in Wales, the Legal Services Board (LSB) has an objective to encourage an 'independent, strong, diverse and effective legal profession'.

Regulators are required to collect and publish data on the diversity of their regulated communities and, critically, ensure this is embedded in regulatory activity. The LSB monitors this through its regulatory performance framework. The LSB's diversity dashboard brings together the latest information.

To measure social mobility, the dashboard displays two of four metrics recommended by the Social Mobility Commission – type of school attended and parental qualifications (in relation to attending university).

It is well established that the legal profession is not sufficiently diverse, so why do we need a data dashboard to tell us this? The power of the dashboard lies in connecting data sets to provide meaningful insights that tell a compelling story to those who might not engage with tables of numbers. It is not just the data you have – it is how you use it.

The dashboard provides a transparent, up-to-date picture of change across a range of metrics. It acts as a springboard to plan initiatives, measure and compare impact across the profession and identify further questions to interrogate data. It drives accountability to ensure regulators' commitments are followed by action.

LSB recommends these tips to organisations that want to create their own dashboards:

1. Be collaborative.

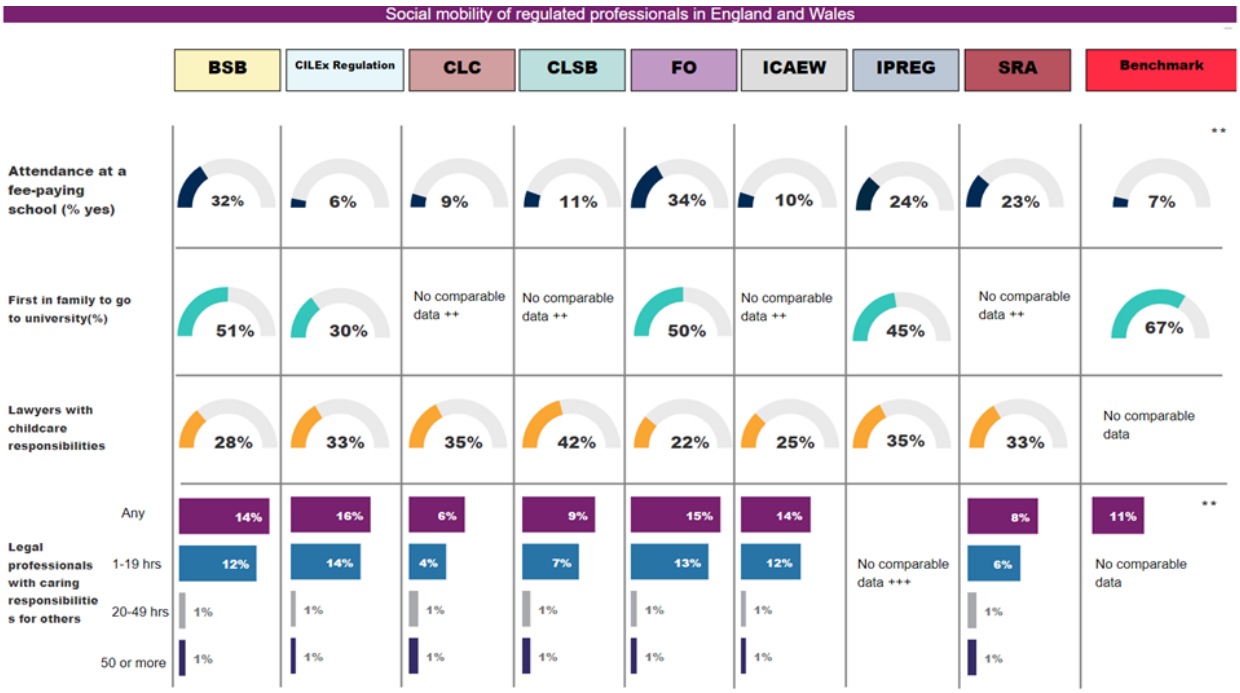
To get data and to achieve more comparable data across a sector, build relationships within the industry and encourage a collective understanding of what to gather and share to tackle challenges. Learn from the successes and barriers for others.

2. Be curious.

Data help determine what works to address barriers to diversity. Bring together data experts and diversity practitioners in your organisation to ask questions that inform how you create and present data. Treat it as an iterative process – you might not get the perfect dashboard on your first attempt.

3. Be specific.

Break down the data to be specific in what you measure and compare. This does not mean waiting for the perfect data set or getting lost in 'analysis paralysis' with too many insights in one dashboard. Start with the data you have and use it to tell a story.



Socio-Economic Diversity Taskforce

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Government

Point One: Leadership. Assign responsibility for making progress.

Government should actively endorse senior management level accountability for socio-economic diversity.

- Speak publicly about how assigning executive sponsors has been successful for the Women in Finance Charter, Race at Work Charter and FTSE Women Leaders.
- Speak publicly about how senior civils servants have been championing the need for greater socio-economic diversity in the civil service.
- Publicly champion this document with UK financial and professional services organisations to make the case for assigning responsibility for increased socio-economic diversity to senior responsibility.

Why we support these recommendations and how we can get there:

From the Race at Work Charter to the Women in Finance Charter, executive sponsors are a conditional component of the requirements for signatories as a way to promote greater diversity internally. Executive sponsors have played a pivotal role in leading diversity initiatives within an organisation, ensuring that diversity does not just become a policy, but that action is being taken.

Executive sponsors can be effective tools for engaging with senior leaders, communicating the need for diversity, equity and inclusion and holding the wider company to account on DEI measures.

For socio-economic diversity, the Government can play an important role in encouraging companies to take up executive sponsors. Without charters or legal requirements, companies may not consider assigning responsibility to senior leaders. However, by championing the evidence of what has worked for other DEI initiatives, Government can promote the use of executive sponsors.

We urge Government to treat socio-economic diversity as they would other diversity priorities such as gender and ethnic diversity in any guidance they may issue and to help increase awareness of it as an important diversity characteristic.

Point Two: Assess.

Collect data.

Publicly advocate for data collection.

- The Department for Business Energy and Industrial Strategy (BEIS), HM Treasury (HMT), the Government Equalities Office and the Equality and Human Rights Commission (EHRC) should publicly endorse and advocate for data collection requirements set by financial and professional services regulators (now and in the future)
  - Reference fairness and equity and how data collection can identify multiple disadvantages.
- The Social Mobility Commission must retain its central role in specifying metrics for employers' use

Why we support these recommendations and how we can get there:

We urge the Government to continue to share best practice on data collection and lessons learned for the wider-FPS sector. Close collaboration between employers in the sector – similar to the recommended measures set out in the employer toolkit produced by the Cabinet Office and external stakeholders – can be a useful guide for organisations that are just starting to collect this information.

Promoting steps by Government departments to diversify and collect data on socio-economic background can signal the importance of this type of diversity.

While adding socio-economic diversity as a protected characteristic is considered, we believe that the considerations of social class and the barriers faced by people from disadvantaged backgrounds at work should play a larger role in Government DEI initiatives. There should be more research and targeted initiatives on socio-economic diversity at work through the Government Equalities Office. In addition, BEIS, HMT and EHRC should champion data collection from FPS organisations to guide decision-making on diversity.

Point Three: Act and analyse.

Take action and monitor what works.

Government should advocate for employers to take action to address socio-economic inclusion in the workplace and contribute to clear guidance for employers.

- The Government Equalities Office should continue to review the Equality Act 2010, including considering the extension of socio-economic background as a protected characteristic.
- Provide clear guidance for employers wanting to take specific actions to support the progression of employees from non-professional backgrounds, recognising that socio-economic background is not currently a protected characteristic.
  - Refer to this report for suggested activities for what employers can do to take action
  - Point employers towards organisations that can support them in their journey like Progress Together, PRIME, Access Accountancy, Diversity Project. Social Mobility Business Partnership and Social Mobility Foundation
- Continue to review the Equalities Act to include socio-economic background as a protected characteristic.
  - If socio-economic background is added as a protected characteristic under the Equalities Act 2010, issue guidance that supplements this addition.
  - If it is not, provide written guidance to employers on the use of positive action for socio-economic background, separate from the Equalities Act 2010.
  - Build the evidence base on socio-economic diversity and work with businesses in the FPS sector to ensure disadvantaged groups can progress to more senior roles.
- Prioritise socio-economic background in action plans focused on wider diversity measures.
- Speak publicly about how government departments are striving to deliver greater socio-economic diversity within the civil service.

Why we support these recommendations and how we can get there:

According to research, organisations and companies can decide not to employ or promote a person because of, for example, their regional accent, school background or where they live[57]. Academics and social mobility advocates feel strongly about making an amendment adding socio-economic diversity to the Equality Act as one of the main suggestions for Government action.

Culture change is only possible if those in senior positions who determine the culture recognise its pitfalls and have a shared vision for change. Therefore, culture change to drive greater socio-economic diversity depends on the climate for DEI. Participants in our consultations voiced concerns that many organisations are compliance-focused and because socio-economic background is not a protected characteristic under the Equality Act (2010), leaders do not feel responsible for driving this change.

Recent precedents for governmental intervention in the promotion of socio-economic diversity include the Social Mobility Commission's Action Plan[58]. This plan is based on an assessment of socio-economic background data on over 30,000 civil servants outlined in Navigating the Labyrinth report[59]. The findings reveal that only 18% of senior civil servants come from a working class or intermediate background. The report calls for the Government to give socio-economic background legal protection under the Equality Act. Additionally, as part of the Action Plan, all Government departments are encouraged to collect and analyse data for better benchmarking and to understand where progress is being made.

The Government has introduced several important initiatives to make the workplace a fair, inclusive and equitable place for women, minorities and other marginalised groups -- as a Taskforce, we believe that prioritising socio-economic diversity can help spur even greater change.

In our industry consultations, participants agreed that if socio-economic background was not added to the Equalities Act 2010, clearer guidance from the Government would be useful for employers wanting to take action to support the progression of employees from non-professional backgrounds.

It has been established that socio-economic background can be one of the main factors underpinning the disparities across all diversity characteristics.

In the Commission on Race and Ethnic Disparities report, which focused on investigating disparities for ethnic minorities, it was argued that socio-economic background can be the root cause of systematic disadvantages faced by ethnic minorities. Systemic barriers related to social class are pervasive in society, crossing racial and gender lines. White people from working class backgrounds are falling behind their peers in attainment and education as well. The report urged the Government to take a more holistic approach that not only considers geographic location but also social class to boost opportunities[60].

The Government Equalities Office or The Equality and Human Rights Commission (EHRC) should issue or contribute to guidance for employers on how barriers related to socio-economic background can prevent progression and intersect with other diversity characteristics. For example, a guide with evidence-based policies and programmes that enable people from lower socio-economic backgrounds to progress -- similar to the Equalities Office report on the progression of women in the workforce -- would be a valuable resource for employers[61].

As a Taskforce, we also encourage the Government to conduct more research on how diversity characteristics interact and how class can play a role in exacerbating the inequalities that exist at senior levels within the workforce. This sentiment was echoed in the Government's gender equality roadmap, which acknowledged the need for more research on intersectionality and how socio-economic background can compound existing inequalities[62].

The financial and professional services sector is one of the largest and most economically important sectors in terms of output but still ranks among the lowest for socio-economic diversity at senior levels. Among the elite professions in the UK, the FPS represents a wide array of customers and should represent the communities it serves. Government should collaborate with the sector to bring about greater necessary change so initiatives can be targeted to where it is needed most.

[57] https://www.researchgate.net/publication/362233897_Psychology_of_social_class-based_inequalities_Policy_implications_for_a_revised_2010_UK_Equality_Act

[58] https://www.gov.uk/government/news/action-plan-to-increase-socio-economic-diversity-in-the-civil-service

[59] https://www.gov.uk/government/publications/navigating-the-labyrinth/navigating-the-labyrinth-socio-economic-background-and-career-progression-within-the-civil-service

[60] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/974507/20210331_-_CRED_Report_-_FINAL_-_Web_Accessible.pdf

[61] https://gender-pay-gap.service.gov.uk/public/assets/pdf/Evidence-based_actions_for_employers.pdf

[62] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/814080/GEO_GEEE_Strategy_Gender_Equality_Monitor_tagged.pdf

> **“ By focusing on the places with the poorest socio-economic outcomes, levelling up acts as a vehicle for improving outcomes for the groups with the worst outcomes, complementing and supporting our wider work to tackle race and ethnic disparities,”**
>
> **- stated Inclusive Britain[63].**

This includes prioritising or including socio-economic diversity in some of the actions outlined in the Inclusive Britain report issued as a response to the Commission on Race and Ethnic Disparities report, particularly with a focus on inclusion in the workforce and Actions 69 and 70. Action 69 outlines how the Government aims to create a panel of experts to develop resources that enable employers to tackle bias and become more inclusive. As part of that work, we are advocating that socio-economic diversity and progression at senior levels is one part of the focus[64].

We also believe that there should be greater emphasis on socio-economic diversity in the Cabinet Office’s Equality Hub and that the Social Mobility Commission should sit within the department to work closely on building the evidence for intersectionality and being an important diversity priority for the benefit of the FPS sector and social mobility across the country.

Point Four: Ambition.

Setting goals.

Government should endorse employer setting targets on senior level socio-economic diversity

- Speak publicly about how target-setting has led to success for the Women in Finance Charter and FTSE Women Leaders as well as benchmarking for senior level representation for socio-economic diversity in the civil service.
- Publicly champion this document with UK financial and professional services organisations.
- When engaging Women in Finance Charter signatories, encourage cross-cutting targets to boost representation of employees facing multiple disadvantages

Why we support these recommendations and how we can get there:

In 2021, The Social Mobility Commission in accordance with Government departments set out an action plan to ensure greater socio-economic diversity within the civil service. Two important measures include setting national proportional benchmarks across the civil service, and a five-year target for improvement, with an action plan on how to achieve this target .

Despite recommendations from the Social Mobility Commission, there are still few instances where targets are applied in the UK and even globally. As one of the worst countries in the OECD for socio-economic mobility, we believe the UK needs to display some urgency to address the lack of socio-economic diversity at senior levels. Target-setting is one way to show progress.

We believe socio-economic diversity requires the same urgency the Government showed when it called on financial organisations to set targets for gender in the Women in Finance Charter.

In his 2011 report Lord Davies recommended that companies listed in the FTSE 100 Index should aim for a minimum of 25% female board member representation by 2015, emphasising that companies should aim to exceed this minimum target. This has worked: in 2022 almost 40% of UK FTSE 100 board positions are held by women. While some argue that change has been too slow, it is important to set goals to measure progress.

Despite the lack of precedent on socio-economic diversity targets, there are lessons to be learned from setting targets for greater female representation across boards and senior level positions, not only within the UK but internationally.

In our industry consultations, participants agreed that targets can play a catalytic role in bringing about change. Similar to the target-setting agenda the Government has set for its own departments, we believe the Government should advocate for companies to set internal targets and for industries and subsectors to set sector-wide benchmarks. The Government should emphasise that collecting data and setting targets internally on socio-economic diversity can help solve other diversity challenges.

[63] https://www.gov.uk/government/publications/inclusive-britain-action-plan-government-response-to-the-commission-on-race-and-ethnic-disparities/inclusive-britain-government-response-to-the-commission-on-race-and-ethnic-disparities

[64] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1061421/Inclusive-Britain-government-response-to-the-Commission-on-Race-and-Ethnic-Disparities.pdf

Point Five: Accountability. Publish performance.

Government should publicly advocate for employers to publish their data and their internal activities to address socio-economic diversity at senior levels.

- Publicly advocate for organisations to publish data on the socio-economic make up of their organisations.
  - Advocate for larger organisations to publish this data in the near future while allowing smaller organisations to publish where permissible.
  - Encourage organisations to analyse this data against levels of seniority
- Provide voluntary guidance on class pay reporting for socio-economic diversity.
  - Produce the guidance in line with voluntary ethnicity pay reporting set to be distributed by BEIS.

Why we support these recommendations and how we can get there:

Research shows that socio-economic background is one of the defining factors that predicts a person's outcomes in life and is highly correlated with quality of life. Socio-economic background can play a considerable role in determining educational attainment and career trajectory, mental and physical health, and even something as subjective as a person's perception of their life. Additionally, people from lower socio-economic backgrounds are less likely to have social support networks or educational resources, which can translate into poorer career outcomes[67].

The limitations of social mobility and these determining factors are also playing out in the workplace. Employees from working class and intermediate backgrounds are stalled in the progression pipeline, unable to climb the ladder.

The picture at senior levels is stark, with less than half of the sector's employees from non-professional backgrounds progressing to more senior levels[68].

As a Taskforce, we believe that the UK has a unique opportunity to become a leader on diversity by taking a holistic approach to diversity across its financial and professional services sector. All characteristics, including socio-economic diversity, should be tackled collectively and with the same importance. But in order to do so, the Government needs to hold businesses to account and invest in initiatives that address the root cause of poor social mobility. The sector alone cannot solve everything.

BEIS has committed to publishing guidance to employers on voluntary ethnicity pay reporting. A similar resource should be produced for socio-economic diversity[69].

The Taskforce's recommendations align with the requirements of the Women in Finance Charter, so we urge the Government to advocate for tackling characteristics together to improve diversity in all areas.

In our industry consultations, participants generally welcomed initiatives such as data publishing to hold companies to account, similar to gender pay gap reporting; while some were more hesitant in case it put their business in a negative light.

We urge the Government to champion socio-economic diversity and link it to the success of levelling up in the UK.

Everyone has a role to play to ensure that improvements are made to diversity everywhere. With Government support, we believe the issue can move forward at speed and with the urgency required.

[65] https://www.gov.uk/government/publications/navigating-the-labyrinth/action-plan-how-to-improve-socio-economic-progression-within-the-civil-service#the-civil-service-workforce-action-plan

[66] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/31480/11-745-women-on-boards.pdf

[67] https://www.apa.org/pi/ses/resources/publications/education

[68] https://www.cityoflondon.gov.uk/assets/Business/building-the-baseline-breaking-the-class-barrier-report.pdf

[69] https://publications.parliament.uk/pa/cm5802/cmselect/cmwomeq/998/report.html

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Appendix

Increasing Socio-Economic Diversity Across the Entire Organisation

We know that there needs to be better socio-economic diversity across entire organisations, not just at senior level. Current data shows that socio-economic diversity is more representative at entry and mid-levels, which indicates that there is a progression problem. However, we need to have enough diverse people entering the pipeline at the start of their careers so that we have the talent that can progress.

As a Taskforce, we were commissioned to understand the barriers that prevent employees from working class and intermediate reach senior levels, which is why the recommendations in this report focus on how to increase socio-economic diversity at senior levels, and recommendations on how to better recruitment practices and bring in socio-economically diverse talent at entry levels is notably absent. We believe that there needs to be targeted solutions to tackle socio-economic diversity at all levels as well, especially to ensure that there is a pipeline of diverse talent to reach senior leadership.

As we were discussing increasing socio-economic diversity in the financial and professional services in our industry consultations, we heard information and recommendations on how to build better recruitment practices and get in more socio-economically diverse talent in early careers. This included having better outreach in schools, using apprenticeship levies, and more fair recruitment strategies.

Below we share some of the recommendations that focus on getting more socio-economic diversity into organisations at recruitment and early career levels:

- Broaden outreach when recruiting and promoting employees to find candidates from a diverse range of backgrounds.
  - Use "blind" recruitment strategies that remove identifiers such as university, gender as well as hobbies from CVs and applications.
- Require employers to conduct outreach in schools and universities in areas with higher rates of income inequality.
  - Approach FPS employer outreach in schools and universities in the same way as Russel Group University requirements, where universities are fined if they don't hit quotas set, and how universities are obligated to submit an Access and Participation Plan (APA) which requires active widening participation measures. If universities do not meet their APA then they are subject to penalties which may include financial penalties.
  - Government should demand more rigorously employer outreach in schools, colleges and universities in areas with higher rates of income inequality.
  - As stated in Department for Education Careers Guidance, "high quality careers education and guidance in school or college is critical to young people's futures".
  - Continue to encourage meaningful interactions between employers and young people in schools constituting students from low socio-economic backgrounds.
- Incentivise employers to spend their Apprenticeship Levy on those from lower socio-economic backgrounds – this could be the start of an important progression journey.
  - Review apprenticeship formats and entry points to see how young people from lower socio-economic backgrounds can get coveted degree apprenticeship spots within the FPS.
  - List FPS apprenticeships on the Universities College Admissions Services (UCAS) database to make it easier for students without existing awareness of the FPS sector.
- Appoint Government-approved providers of careers advice to make it less burdensome for schools to tell students about the opportunities in the FPS sector.
- Make it clearer for schools and employers who are the top outreach providers for careers in FPS.

What we heard about these recommendations

CEOs of outreach organisations, academics, and other participants in our industry consultation emphasised the need to have more interaction of UK financial and professional services with schools in the form of outreach to educate school pupils about financial and professional services careers, as well as recruiting from Year 13 talent pools, including for degree apprenticeships. For effective outreach, participants in the consultation spoke about meeting role models from UK financial and professional service organisations from non-professional backgrounds, FPS organisations finding ways to open their doors to students from lower socio-economic backgrounds (such as work experience days) and ensuring teachers and students in schools have access to industry leading market information on careers, in particular creating awareness of all pathways to employment, including apprenticeships.

There was much discission in the industry consultation around the need for the sector to better use of the degree apprenticeship routes into financial and professional services, requiring Government support. It was noted that support for parents is needed also to educate them about routes into financial and professional services, including degree apprenticeships, and about how these routes allow parity of progression at employer organisations.

The June 2020 Social Mobility Commission Research Report on apprenticeships and social mobility states that while apprenticeships are "one of the few indisputably effective tools of social mobility currently available to the Government...the main beneficiaries of apprenticeships are the people who do not need them." In this study, authors at London Economics show how the apprenticeship levy, introduced in 2017, has disproportionately funded higher-level apprenticeships for learners from more advantaged communities, rather than those from disadvantaged socio-economic backgrounds, who would benefit more". The Universities College Admissions Services (UCAS) has made statements about UCAS users wanting more information about apprenticeships, and The Careers & Enterprise Company noted in December 2021 that "more work needs to be done to convert interest in apprenticeships to uptake."

One suggestion from consultation participants is a discrete tax credit in addition to the Apprenticeship Levy for FPS employers who offer degree apprenticeships to those from low socio-economic backgrounds. Or greater flexibility in how such employers can use apprenticeship levy funds surplus, beyond paying training provider costs such as funding the cost of managing the programme, as management costs can be too much for smaller firms with limited HR resource. Another suggestion was that Government could require employers to list FPS apprenticeships on the UCAS database to make it easier for students without existing awareness of the FPS sector, including names of individual firms and companies to find degree apprenticeship opportunities.

Once apprentices have started in employer organisations, Government should advocate using data, as with all employees, to monitor progression of apprentices from low socio-economic backgrounds. The September 2022 'The Building Blocks' report by the Social Mobility Commission recommends monitoring apprenticeships data "to understand any disparity in completion rates, drop-outs and post-training progression between people from disadvantaged and privileged backgrounds".

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And thank you to all the organisations who participated in the Socio-Economic Diversity Taskforce and the Working Groups, to TheCityUK and The Law Society for facilitating many industry consultation sessions, and to Deloitte for delivering the industry consultation.

About The Taskforce:

In order to boost productivity and levelling up opportunities, HM Treasury and the Department for Business, Energy & Industrial Strategy (BEIS) commissioned the City of London Corporation (COLC) to lead an independent Taskforce to improve socio-economic diversity at senior levels in UK FPS. The Taskforce had a vision of 'equity of progression' – where high performance is valued over 'fit' and 'polish'.

The Taskforce was had three main objectives:

- To create a membership body to drive socio-economic diversity at senior levels in financial services. Progress Together was launched in May 2022 and is the first of its kind focusing on progression, retention and socio-economic diversity.
- A report on the productivity impacts of increasing socio-economic diversity at senior levels across UK financial and professional services.
- An industry consultation and roadmap on how Government, regulators and sector bodies can incentivise employer action on socio-economic diversity at senior levels across UK financial and professional services.

For more information and a list of Taskforce member organisations, visit the Taskforce website.

Taskforce and Working Groups

The Taskforce is led by a Strategy Steering Group which includes; Catherine McGuinness, (City of London Corporation former Chair of Policy); Rt. Hon. Lord Mayor Alderman Vincent Keaveny (Lord Mayor of London & Partner at DLA Piper; Sandra Wallace (Partner and joint Managing Director for UK & Europe at DLA Piper); and Andy Haldane (CEO at Royal Society of Arts, Manufactures and Commerce and Former Permanent Secretary to Levelling Up Taskforce); with representatives from HM Treasury and the Department for Business, Energy & Industrial Strategy.

The Taskforce was supported by three groups of industry representatives:

- 30 Taskforce members, who are senior, influential individuals (across subsectors, regions, backgrounds) and approve strategy for their workstream.
- An Advisory Board comprised of approximately 50 organisations and includes influential representatives across financial and professional services and sub sectors, social mobility experts and industry bodies who supported the work of the Taskforce.
- A Working Group of individuals who were appointed to provide practitioner insight to guide delivery.
- More than 100 organisations were involved across all levels.

Definition of Socio-Economic Background

The Taskforce uses the Social Mobility Commission's criteria[70] for socio-economic background based on an individual's highest earning parent's occupation according to the National Statistics Socio-economic Classification (NS-SEC)[71].

High socio-economic background is defined as NS-SEC 1 and 2 occupations. This includes modern and traditional professional occupations such as CEO, scientist, accountant and solicitor.

Intermediate is defined as (NS-SEC) 3 and 4. This includes clerical and intermediate occupations such as personal assistant, clerical worker and call centre agent.

Working class is defined as NS-SEC 5, 6, 7, and 8. This includes technical and craft occupations as well as manual and service occupations such as electrician, plumber and train driver.

Methodology for Industry Consultation and Report

Consultation

Spanning UK financial and professional services, the consultation heard from more than 300 individuals in structured roundtable sessions and one-to-one interviews.

Sessions were used to develop recommendations and listen to feedback from a range of stakeholders including employers, Government, and regulators.

Of the 300 consultations, 50% were based outside London and spanned all regions of the UK: Scotland, Wales and Northern Ireland. There were 23 roundtable sessions held with sector bodies and organisations across the FPS sector. There were nine one-to-one interviews with FPS regulators and Members of Parliament. Of the individuals consulted, over 80% were senior leaders within their respective firms.

Areas of focus

An initial literature review was undertaken alongside bi-lateral meetings with Taskforce members during 2021. This provided the basis for developing five initial thematic areas of focus; Data, Targets and Protected Characteristic Status, Culture, Intersectionality and the Broader Ecosystem. These were then used to formulate framework questions for each of the key stakeholder groups of government, regulators and sector bodies, as well as employers themselves, to be used in the consultation activities.

Consultation activities were undertaken from late 2021 to June 2022, and the output used to develop the qualitative observations and findings and recommendations used throughout this summary report.

Bodies and organisations that took part in the consultation included:

- Financial Reporting Council
- Solicitors Regulation Authority
- Bank of England
- Financial Conduct Authority
- UK Regulator Network
- Association of British Insurers
- The Investment Association
- London Chamber of Commerce and Industry
- TheCityUK
- Local Authority Pension Fund Forum
- The Law Society
- Institute and Faculty of Actuaries.

[70] https://socialmobilityworks.org/toolkit/financial-and-professional-measurement/

[71] https://www.ons.gov.uk/methodology/classificationsandstandards/standardoccupationalclassificationsoc/soc2020/soc2020volume3thenationalstatisticssocioeconomicclassificationnssecrebasedonthesoc2020

Regulator Interviews

- Bank of England
- Financial Conduct Authority
- Financial Reporting Council
- Solicitors Regulation Authority
- UK Regulators Network (sector wide, attendees included the Financial Conduct Authority, Financial Reporting Council, Pensions Regulator, Regulator of Social Housing, Civil Aviation Authority, Payment Systems Regulator, Single Source Regulations Office, Utility Regulator, Information Commissioners Office, Office of Rail and Road, Ofcom, Ofgem and Ofwat)

Government Interviews

- Caroline Noakes MP, Chair of the Women and Equalities Committee
- Lee Rowley MP, Parliamentary Under-Secretary of State for Business and Industry
- John Glen MP, Chief Secretary to the Treasury, HM Treasury
- Stephen Timms MP

Sector Bodies Roundtables

- 1x UK-wide roundtable with the Association of British Insurers
- 1x UK-wide roundtable with the Institute and Faculty of Actuaries
- 10x UK wide roundtables with The Law Society (covering Social Mobility Ambassadors, West Midlands, Wales, North West, London, North East, South West, South East, East and In-house Legal Professionals)
- 4x UK-wide roundtables with TheCityUK (covering Birmingham, Bristol, Cardiff, Belfast & North England)
- The Investment Association
- 1x UK-wide roundtable with the Local Authority Pension Fund Forum
- 2x London-based roundtables with the London Chamber of Commerce
- 1x UK-wide roundtable with Simply Biz
- 1x London-based roundtable with trade associations
- 1x London-based roundtable with Advisory Board members of the Socio-economic Diversity Taskforce

Literature Review

- Beyond the sources referenced directly in this report, the Taskforce conducted a literature review in advance of the industry consultation to determine some hypotheses to test in the industry consultation. The literature reviewed is as below:

- Action plan - how to improve socio-economic progression within the Civil Service. (2021). [online] Social Mobility Commission. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/987604/SMC-NavigatingLabyrinth-ActionPlan.pdf.
- Board-level gender quotas in the UK, France and Germany. (2016). [online] Bredin Prat, Hengeler Mueller, Slaughter and May. Available at: https://www.hengeler.com/fileadmin/news/BF_Letter/14_Board-LevelGenderQuotas_2016-08.PDF.
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Final Report

- This report was based off the findings from the Industry Consultation, the literature review and additional external research.
- The Taskforce has also consulted with its Advisory Board and Working Groups – which is comprised of industry representatives from sector bodies, regulators, employers, diversity experts, and academics – on the material for this report. Subsequently with these groups, the report contents were discussed prior to the draft in order to have input from a wide range of stakeholders.

Further Resources:

Progress Together

Progress Together is a new independent membership body created to increase socio-economic diversity at senior levels across UK financial services. It was founded by 12 Founding Partners: Accenture, Allen & Overy, AXA, Aviva, City of London Corporation, EY, Fidelity, Man Group, Paragon Bank, PwC, Santander and Schroders.

Chaired by past Lord Mayor, Alderman Vincent Keaveny and led by an impressive group of Board members, Progress Together was born out of a Government-commissioned socio-economic diversity taskforce, led by the City of London Corporation. It has one core purpose:

Progress Together aims to level the playing field: 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 equal opportunity to achieve their full potential.

In their commissioning letter, Ministers John Glen and Nadhim Zahawi called for a membership body that would increase employer engagement and accountability in delivering socio-economic diversity at senior levels (akin to similar bodies that already exist for law and accountancy state).

Focusing specifically on progression and retention, Progress Together supports UK financial services employers to share best practice with peers and clients, benchmark against each other in a safe environment, and boost collective efforts.

If you are interested in learning more about Progress Together, member benefits, and our plans for the future, visit www.progresstogether.co.uk/

Social Mobility Commission

The Social Mobility Foundation (SMF) is a charity which aims to make a practical improvement in social mobility for young people. The SMF was founded in 2005 by Linkson Jack in order to provide opportunities, and networks of support for 16–17-year-olds who are unable to get them from their schools or families.

In the years that have followed their students have experienced great success graduating from university into the professional world with many returning to support younger years. They now work with young people from all across the UK in the years prior to and during university, and their Aspiring Professionals Programme offers tailored support across 11 career sectors: Accountancy, Architecture, Banking & Finance, Biology & Chemistry, Business, Digital, Engineering & Physics, Law, Media & Communications, Medicine, and Politics.

- The Social Mobility Employer Index is the leading authority on employer-led social mobility. The Index is an annual benchmarking tool for organisations looking to understand how they are performing on social mobility and where they can improve.
- The Social Mobility Foundation assesses the steps being taken to ensure that the employer is open to talent from all social backgrounds and every entrant receives bespoke feedback to improve their social mobility work.

Library of Resources:

The SMC's Employers Programme works across multiple sectors to create more inclusive and diverse socio-economic workforces. Their website which houses guidance, toolkits, resources and case studies can be found here: https://socialmobilityworks.org/

The SMC's Employer toolkits provide guidance on how organisations can get started on building their socio-economic diversity - through the topics of data, leadership and culture, outreach, hiring, progression and advocacy. Find out more here: https://socialmobilityworks.org/toolkit/measurement/

Originally launched in 2020, the Financial and Professional Services employers' toolkit was refreshed in July 2021 and this version can be found here to download. SMC Financial and Professional Services employers' toolkit

Success stories: Find out what other employers are doing in the space to drive socio-economic inclusion on the SMC's website: https://socialmobilityworks.org/social-mobility-success-stories/

Measuring socio-economic background. Ask the key question regarding parental occupation. This question is the best measure to assess someone's socio-economic background. Not only that but it's easy to understand, it gets the highest response rates in testing, and it's applicable to those from all ages and from all countries. Find out more on the SMC's website: https://socialmobilityworks.org/toolkit/measurement/

The SMC's organisational directory lists organisations that support employers to develop socio-economic inclusion practices or interventions (like outreach): https://socialmobilityworks.org/organisation-directory/

The SMC's 'Let's talk about class' campaign will provide employers with a resource pack designed to promote open discussion on socio-economic background within the workforce, and to encourage the creation of working groups/opportunities for colleagues to share lived experience. Resources will be available from early September and will be found here: https://socialmobilityworks.org/resources/resource-documents/

The SMC's Maturity Assessment Tool provides an interactive questionnaire enabling employers opportunity to measure the maturity of their diversity and inclusion efforts around social mobility. The tool is available now here: https://socialmobilityworks.org/maturity-assessment/

The SMC's new 'Building Blocks Toolkit' provides simple first step guidance to help businesses and organisations of all sizes, up and down the country, access a wealth of untapped talent and kickstart their socio-economic diversity strategy, and includes recommended interventions on data, culture and leadership, recruitment, and outreach practices, which are designed for organisations new to this, and who are just getting started.

Bridge Group

The Bridge Group is a non-profit consultancy that uses research to promote social equality.

They do this by supporting organisations of all kinds with independent expertise, research and practical know-how to enable them to make real and lasting impact on socio-economic diversity and social equality. For reports and toolkits relevant to employers, universities and outreach providers, see www.thebridgegroup.org.uk/research.

Their objective is to make real and meaningful change, now. Their vision is a fairer higher education system and labour market where outcomes are determined by competence and hard work, and not by socio-economic background.

Sutton Trust

Since 1997, the Sutton Trust has worked to address social mobility. They fight for social mobility from birth to the workplace so that every young person – no matter who their parents are, what school they go to, or where they live – has the chance to succeed in life.

They support young people from less advantaged backgrounds to access leading universities, apprenticeships, and careers. In partnership with universities and employers, they run engaging programmes that give students practical advice and leave them feeling inspired and more confident about their future.

Social Mobility Business Partnership

A volunteer-led charity, SMBP is a collaboration of 170 commercial organisations, professional services firms and professional sports clubs working in towns and cities across the U.K. All are committed to supporting Year 12 students from low-income backgrounds in their pursuit of a career in business.

Since 2014, SMBP has grown from offering opportunities to 20 students in London, to over 500 student places across all nations which form the UK in 2022.

The SMBP is a charity based on facilitating collaboration rather than delivering programmes itself. It partners with other charities including the Sutton Trust and IntoUniversity when identifying students and then recruits 4 businesses to provide a day each of business simulation and skills training, with a final day spent with a professional sports club (including Arsenal, Manchester United and Ulster Rugby) learning about the psychology of resilience. It then provides lifetime career coaching and job opportunity notifications through its Alumni app.

The Diversity Project

The Diversity Project's Social Mobility Workstream seeks to improve socio-economic diversity at all levels in the investment and savings industry. They regularly produce helpful content and resources designed to help their 100+ member firms and others make meaningful progress in this area.

Employers Social Mobility Alliance

ESMA is on a mission to promote collaboration between employers, The State and Third Sector to address the issues faced by those from low-income backgrounds entering the workforce. ESMA will be the place where you can find out, in one place, what the issues are, who is doing something about them and how you can get involved no matter who you are or where you are in the UK.

Published by:

Socio–Economic Diversity Taskforce

CITY OF LONDON

https://www.cityoflondon.gov.uk/WhoGetsAhead

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

The taskforce was the frst of its kind. The vision was for equity of progression -where high performance was valued over ‘ft’ and ‘polish’.