Sexism in the City

Introduction
Following on from the Committee's 2018 Report, the Treasury Committee requested evidence about sexism in the City. Below are the CFA Institute/CFA UK's (the Respondents) recommendations on what could be done to improve gender equality and reduce sexism within the investment management industry. It covers the categories on which the Respondents have an opinion, and unless otherwise stated, survey data refer to CFA UK's 2022 DEI survey[1]. Both CFA UK and CFA Institute insights benefit from the context provided by the long term history of their industry datasets.

The Respondents also encourage financial services firms to embrace characteristics beyond the single lens of gender as everyone is a unique blend of diverse characteristics, which influence their perspectives and experiences within the workplace.

CFA Institute
CFA Institute[2] is the global association of investment professionals that sets the standard for professional excellence and credentials. The organisation is a champion of ethical behaviour in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow. There are more than 190,000 CFA charterholders worldwide in 160 markets. CFA Institute has nine offices worldwide and 160 local societies.

CFA UK
CFA UK is a member society of CFA Institute. Our mission is to educate, connect and inspire the investment community to build a sustainable future. We are a society of 12,000 members. We developed the Certificate in ESG Investing and are the awarding body for the Certificate in Climate & Investing and the Certificate in Impact Investing as well as the leading entry-level qualification for the UK investment sector, the Investment Management Certificate (IMC).

Summary
Overall, whilst progress has been made, CFA UK underscores the need for more collaborative efforts to address sexism and all aspects of inequality in investment management. It recommends actions to be taken by the government and by individual firms.

CFA UK stresses the significance of balanced boards and inclusive leaders to drive change. It recommends using transparent hiring practices to remove barriers to progression and fostering an inclusive culture in which everyone feels that they are respected, valued, and listened to. Other strategies to attract, hire, and retain women include incorporating more finance content at an earlier stage in education, normalising shared parental leave, and supporting returners. To close the gender pay gap, transparent salary expectations and granular reporting are essential. Government involvement is crucial. Stronger backing is needed for initiatives like the Women in Finance Charter and legislation put in place covering the Government Equalities Office/Behavioural Insight Team's "Evidence-based actions for employers to improve gender equality," such as legislating providing flexible working options and salary transparency. The response also highlights CFA Institute DEI Code, a voluntary global framework for industry-wide diversity, equity, and inclusion (DEI).

[1] N=566. 61% of respondents were male, 38% female. The remaining 1% said they were other or preferred not to say. This is similar to the 2019 results.
[2] www.cfainstitute.org

Full response

The progress in removing the barriers to women entering and progressing their careers across the financial services industry, including progress to financial services firms' boards, including executive roles

There have been a growing number of initiatives to encourage both the entrance and progression of women in the investment management industry in the past five years. Historically, many organisations refrained from discussing or publishing comments on gender diversity, but now greater emphasis is being put on creating more balance with the acknowledgement that female representation within each team is important.

The 2023 CFA UK and Heidrick & Struggles' report[3] exploring a portfolio approach to DEI stated that companies that are considered leaders in the field do not view DEI targets as an end in themselves but instead as a key to delivering their business results.

However, progress is slow, with the Citywire Alpha Female Report 2022 showing that only 12% of active fund managers on their database were female (2018 10%). CFA Institute member occupation data is slightly higher with 17% identifying as female, though this is actually slightly lower than in 2019 (18%),. Further, in 2022 the financial and insurance sector had the largest gender pay gap in the UK at 31%.

Several mid-sized and large organisations now have DEI committees with dedicated gender initiatives, and some have full-time DEI specialists. This has been instrumental in devising better top-down policies for women – such as recruitment processes, shared parental leave, and returner programmes, as well as policies, education, and training around well being including the menopause. The pandemic also helped shift the industry to accept more flexible working, which in turn has benefitted people with family or carer responsibilities.

The industry is backing a greater number of initiatives aimed at promoting female participation. These include networks that advocate for DEI with a focus on empowering women throughout their careers. For example, initiatives such as GAIN (Girls Are Investors), support young women and non-binary people enter the investment management industry. CFA UK runs and supports the Young Women in Investment Program, a global gender diversity initiative founded by CFA Institute. However, our research suggests that it may take longer to significantly reduce discrimination.

- 65% of all respondents said that they had experienced discrimination in the workplace that had affected their career progression.
- 42% of all respondents feel the industry needs to make the most improvements in gender, followed by race at 37%.

Culture

Corporate culture is how we function as a group within an organisation. In an inclusive culture, there is trust, fairness, and diversity. It is where everyone feels that they belong, that they are respected, valued, treated fairly, listened to, kept informed and have choices.

However, in the male-dominated investment management industry, our research suggests that women often do not feel included. They can find themselves in the minority or even the lone woman and find that the actions of some of their male colleagues, such as calling them 'dear 'or speaking over them, can make them feel undervalued or disrespected. Over time this can undermine women's

[3] https://www.cfauk.org/media-centre/cfa-uk-and-heidrick--struggles-partner-on-new-report#gsc.tab=0

confidence and/or ambition. However, such actions are rarely called out by the women or their male colleagues.

In the CFA UK 2022 survey, the top five suggested responses to DEI issues in the workplace were:
1. Encourage staff to respect each other's differences through campaigns, 49%
2. Respond to any evidence or complaints of inappropriate behaviour, 48%.
3. Deal with any complaints of discrimination promptly and confidentially, 45%
4. Educate all staff about discrimination through training, 42%
5. Develop a workplace policy that prohibits discrimination, which is reviewed regularly, 39%

Following recent adverse news, all women need to be assured that the industry is a safe place to work. To encourage women to report issues, organisations need to provide a safe process, train those involved in the process, clearly say who the points of contact are, support women during the process, as such concerns may be difficult to investigate, and take appropriate action.

Having male inclusion and diversity champions is important to shift the social norm. This is because how a message is received is often more about the 'in-group' identity of the speaker than about the precise wording of what is said. Male allyship programmes and mentoring programmes can help men understand women's experiences and equip them to call out unacceptable behaviour. Some firms have also successfully brought together manager cohorts to regularly discuss how to demonstrate inclusive leadership, what is acceptable behaviour and how to call out unacceptable behaviours. Being role models encourages others to do the same.

The aim is to create a safe space and help all colleagues feel that they belong, during work and at social events. For example, holding social events during the day rather than after work to accommodate all colleagues 'commitments outside work.

Women's employee resource groups can provide a support network. However, the danger is that they become us/them echo chambers unless male allies are also involved.

Tone from the top

The research showed that 66% of respondents believe that managers need to do more to address discrimination in the workplace, 55% said HR teams and 40% boards.

Boards play a key role in shaping the messaging and behaviours throughout an organisation. So, board members need to recognise the importance of being balanced in makeup and having an inclusive culture. Progress is being made towards this goal across the industry but there is further to go.

An equal balance of men and women is required to assume roles as inclusive leaders, actively demonstrating their commitment to observing inclusive conduct within the business. They also need to make it clear that hiring, developing, and promoting talented people who are underrepresented in the workforce will bring better balance, and more diverse perspectives, which are associated with better decision-making, not tokenism.

Firms need to ensure that barriers to women being hired, developed and promoted are removed. In this context, in 2018 the Government Equalities Office and the Behavioural Insights Team (BIT) jointly published evidence-based actions for employers to improve gender equality; BIT has recently updated this publication[4].

---

[4] https://www.bi.team/
https://www.bi.team/wp-content/uploads/2021/07/BIT_How_to_improve_gender_equality_report.pdf.

Mentoring

There is often a lack of female role models to inspire other women to progress. Firms can help women progress by offering mentoring programmes and by using robust hiring processes for promotions as well as for external recruitment.

Sponsorship

While mentoring can be crucial in enabling women to progress throughout their careers, sponsorship can make a meaningful difference within investment firms as women approach major career transitions, particularly from mid-level to senior roles. Sponsors can advocate for the sponsee when they are not in the room where decisions are made about stretch assignments, compensation, and promotions. Sponsors also actively engage in normalizing the behavioural shift to a more inclusive culture.

Succession planning

The board and the executive should regularly review companywide succession planning and nomination/selection processes. Good practices include:

- Building medium term, directional diversity targets into their business plans.
- Providing DEI training to the nomination committee about the importance of an open and transparent process (e.g., mirroring aspects of the public sector appointments process).
- Including DEI criteria in documented recruitment processes, such as:
    - The need for long-term planning as diverse candidates may lead to a longer and more challenging appointment process. Building a talent bench can help to counter this.
    - Rather than looking for previous experience, identify up to six key competencies for each appointment that will bring different perspectives and thinking preferences to the organisation/team. This approach will help to expand the size of the talent pool.
    - Openly advertise roles.
    - Requiring search firms to provide candidates from beyond the usual backgrounds.
    - Mandating diverse interview lists. Accepting this may mean interviewing more candidates.
    - Convening diverse interview panels.
- Refreshing DEI training regularly, particularly ahead of an appointment process.

Boards should comply with the requirements of the voluntary UK Corporate Governance Code 2018, which says that two three-year terms should be the norm and a third (making nine years in total) should be subject to particularly rigorous review and take account of the need for 'progressive refreshing of the board.

To tap into different perspectives and help build a diverse talent pipeline, firms could create a shadow board with a maximum 12-month membership that would enable employees to gain relevant experience and develop key skills and knowledge.

Attracting

Firms are actively considering DEI in each intake of internships, apprenticeships and graduate recruitment schemes; however, they seem to struggle to find the same depth in the female pool of applicants. This may be attributable to differences in the types of roles women are attracted to and/or encouraged by their teachers to apply for as well as the current expectation that a career within investment management for women is characterised by long working hours with limited flexibility provided to effectively manage parental and other household duties. This may be compounded by the current status of the investment management as a largely male dominated profession, which could also deter women from considering a career within the industry.

The industry needs to do more to convince young females, and their families and teachers, that investment management is a good industry to work in. CFA Institute data[5] finds that nearly 40% of young women typically finalise their career choices by 21, which is younger than men who are more open to a change of career until later in life. Gender pay gap data suggests that other sectors of finance such as accounting and investment banking do better at showcasing opportunities earlier in education (either school or university). These sectors have larger employee intakes and greater resources dedicated to early-career hiring. The investment industry could learn from them, such as broadening marketing messaging to show the wide range of skills needed and opportunities offered within the industry.

Hiring

The BIT's research shows there is convincing evidence that the following hiring and selection practices are effective for improving gender equality.

- Offering flexible working by default in job adverts.
- Using structured interviews for recruitment and promotions.
- Using skill-based assessment tasks.
- Making expectations around salaries and negotiation clear.

Other promising actions BIT identifies are targeted referrals, mitigating biased language in job adverts, recruiting returners, anonymising CVs, asking for experience in terms of years not dates, and including more women in shortlists.

Some firms are moving away from CVs and starting to utilise forms plus task or skills-based early-stage selections using various software packages to avoid some of the potential pitfalls of anonymising CVs.

Recognising that underrepresented people may take longer to recruit. Rather than the cost and time to recruit, firms need to focus on the quality and tenure of recruits. Using cost/time as a measure of success is likely to perpetuate candidate stereotypes. Building a bench of potential candidates who know the organisation and its culture can help reduce the time to recruit diverse talent.

Progression

Female employee representation drops significantly at more senior levels, often noted as the "leaky pipeline". Following their 2022 survey into why women leave (all industries), encompass equality[6] and Clifford Chance said that "organisations need to have a greater focus on flexibility in terms of how employees work. There is still a surprising amount of resistance around things like compressed hours, nine-day fortnights or job-sharing. Offering support to women around specific personal challenges is still important, not least because it is likely to be an indicator of bigger and more important issues, such as culture. However, the effect of these will be limited if the five big factors remain unaddressed". The survey identified the following economy-wide factors. There is no reason to believe these do not apply to investment management:

1. 85% - the day-to-day work,
2. 82% - support from their line manager,
3. 70% - career progression,
4. 65% - organisational culture,
5. 31% - hours worked.

Since the pandemic, the opportunities for flexible working in the industry have tremendously improved, particularly with front-office roles, where meetings with clients and trading can be done

[5] https://rpc.cfainstitute.org/research/surveys/gender-diversity-report
[6] https://www.encompassequality.com/2023-why-women-leave

from anywhere. However, flexibility may be inconsistently applied across companies, so it is better to make the where, when and how of work flexible as the default for all roles where possible. This has also to be considered within the greater context of how family and household duties are generally shared between partners, with women often seen to take a larger share of this responsibility, based on current anecdotal evidence and CFA Institute member data[7]. For this to be successful for the business and individuals, teams need to take collective responsibility for making it work, not just the people who are working flexibly. Role designs also need to be amended.

A pioneering company for flexible working within financial services is Zurich UK[8], which since working with the BIT in 2019, advertises all vacancies on a part-time, job-share and flexible basis. This has led to part-time hires doubling in two years and overall applications to the company rising by 66%.

The prior Women in Finance report mentioned that it is best practice to move to a system where an individual's feedback and remuneration are assessed against clear objectives and formulaic criteria. To achieve this, line managers need to be trained in how to set their direct reports' objectives and measure performance by output, not by the time spent in the office.

Companies can tend to look externally when there may be somebody internally with transferable skills. The robust hiring processes discussed above needs to be applied to all roles. All opportunities and their required skills need to be advertised internally so that individuals can apply. This transparency also enables staff to gain prior training and experience for roles they are interested in. A mentoring programme can give underrepresented people the confidence to apply for development opportunities and new roles and support them when in the new role.

McKinsey and LeanIn.Org[9] research showed that women negotiate for raises and promotions at the same rate as men but face more pushback when they do. CFA Institute research in 2019 found that men receive more unsolicited promotions than women[10]. Line managers need to understand that this is a problem and be given the skills to have career conversations to provide feedback and discuss their direct reports 'aspirations and potential opportunities, as well as their training/development and pay.

Parental leave

When a female takes one or more periods of maternity leave, their relative loss of working experience and potential assumptions about their desire to progress may limit their progression, which risks losing people who otherwise could have had a long and successful career in the industry. In considering promotion and retention, organisations should place equal importance to supporting women without children as women with children. Often the perception that a woman might have children is sufficient to cause them to be overlooked for promotion.

Shared parental leave helps to even the playing field for women and BIT's research shows that encouraging the uptake of shared parental leave is a promising action for improving gender equality. Whilst finding maternity cover for senior roles can be a challenge, this is not insurmountable, for instance using consultants. To normalise parental leave, fathers at all levels need to take shared parental leave. Encouragingly, in the past few years, there has been progress with shared paternity leave initiatives, particularly at larger firms, but it would be good to see this normalised across the whole industry. Men as well as women appreciate the value of flexible working and they too often

[7] https://www.cfainstitute.org/research/survey-reports/gender-diversity-report
[8] https://www.zurich.co.uk/media-centre/part-time-hires-double-since-launch-of-flexible-working-initiative
[9] https://www.mckinsey.com/featured-insights/diversity-and-inclusion/women-in-the-workplace
[10] To be published later in 2023

desire/need time for caring responsbilities. Meanwhile, starting a family frequently impacts the careers of men and women differently[11].

Returners

Recruiting returners is one of BIT's promising actions for improving gender equality. However, typically returners face challenges finding new positions or may feel the need to take on a role that does not reflect their career experience and or their current capabilities.

The perception amongst hiring managers is that there is insufficient experienced talent. However, they need to expand their talent searches and target places where returners are likely to be looking.

Returnship programmes are helpful, but the number of positions available is often limited and there may not be a guaranteed role at the end. By actively looking for returners for all experienced hires and making the recruitment process returner-friendly, companies are likely to improve the gender balance at more senior levels. For example, the Government Equalities Office[12] recommends asking for experience in terms of years, not dates to see returners in terms of their relevant experience rather than negative stereotypes.

Menstruation and menopause

Over the past five years, challenges facing women around menopause and menstruation within the workplace have gained greater awareness, leading to some firms introducing initiatives to support females through menopause and menstruation. However, these are not widespread.

The progress on removing gender pay gaps in financial services and in implementing measures to address such gaps

After five years of gender pay gap reporting, there has only been minimal improvement in the investment management industry gender pay gap and the financial and insurance sector has the worst gender pay gap of any sector.
BIT[13] research finds that making expectations around salaries and negotiations clear is an effective action for improving gender equality. Anecdotal evidence from females suggests that the improved transparency has been helpful for new joiners and incumbents to understand pay equality across a firm and have more detailed pay conversations with management. Further, with reporting also acknowledging where improvements can still be made across firms, it allows females to see their employer's initiatives and programmes available to them to progress their careers.

Though headline figures provide some data, more granularity is needed to assess pay equality. This is because company-wide mean and median metrics are more a reflection of gender seniority and/or role differences than pay inequalities for similar roles. Reporting by level of management and/or years of experience would provide more granular gender pay gap data and help to clarify where the industry issues are. Introducing reporting to reflect rates of progression by gender - and other diverse characteristics - to the most senior levels of the firm could be introduced to assess if different groups are being promoted at a faster or slower cadence, and if this is influenced by future potential rather than past performance. For example a measure to assess the level of experience and skillsets employees have before being promoted to the most senior level at a firm could highlight discrepancies between how long it takes different groups to achieve the most senior promotions and

[11] Wei-hsin, Y. & Yuko, H., 2021. Motherhood Penalties and Fatherhood Premiums: Effects of Parenthood on Earnings Growth Within and Across Firms. Demography, 58(1), p. 247–272.

[12] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685064/Returner_Programmes_-_Best_Practice_Guidance_for_Employers.pdf

[13] https://www.bi.team/wp-content/uploads/2021/07/BIT_How_to_improve_gender_equality_report.pdf

how this has changed over time. It is also key here to ensure that the interpretation of senior employees is not made too broad and should be just the most senior title or equivalent grade within a firm.

The role of government and financial regulators

The CFA UK welcomes the government and regulators 'recognition that they play a key role in directing City firms to improve their gender equality and commend their initiatives, including the Equality Act 2010, the Women in Finance Charter (WIFC), and Gender Pay Gap reporting. We also note that over 400 firms, employing over 1.2 million people in the UK, have voluntarily signed up to the WIFC commitments.

We believe that such initiatives have helped to raise awareness of gender inequality and instigate the implementation of top-down HR initiatives in some organisations. However, these need to become more widespread across the industry, supported by greater leadership and support from the government and financial regulators. This is evidenced by the WIFC 2022 annual review, which says that "signatories are continuing to recognise that to sustain progress they need to focus on interventions that embed inclusive behaviours and culture via learning and development programmes, network group/D&I council activity, and policy change".

Achieving inclusive cultures and balanced workforces can be assisted significantly by Government expectation setting, further DEI initiatives, guidance and role modelling. The aim is inclusion maturity, which is when inclusion is the centre of gravity for organisations and integral to their corporate strategies.

Ensuring appropriate data is collected and published

We believe that the Government and regulators need to continue to require companies to collect and publish DEI data to improve DEI outcomes. Namely, increasing diversity, (the full spectrum of human attributes, perspectives, identities and backgrounds), equity (a level playing field and fair access, opportunity, and advancement) and inclusion, (a culture in which everyone feels that they belong, that they are respected, valued, treated fairly, listened to, kept informed and have choices).

We also flag the importance of determining the most appropriate data to collect and note the need to establish clear goals for individuals 'DEI benefits beyond the current focus on organisational benefits.

While we believe that appropriate data collection and publication is useful for measuring progress towards greater DEI ambitions, we advise caution that the data does not become a goal in and of itself, but rather an input to achieve better fairness and inclusive outcomes. We are concerned that data collection and reporting may distract attention from achieving better DEI outcomes, such as with the lack of progress on the gender pay gap.

Marketing the financial industry to a more diverse base of potential recruits

Organisations in financial services can, and do, a fair amount to encourage candidates to join financial services including outreach and engagement, as well as providing work experience. However, we believe that such "pull" strategies alone can only achieve so much. So, we recommend corresponding government efforts to facilitate a greater "push" of students towards careers in financial services. For example, introducing financial services content to the curriculum at a far younger age and significantly increasing financial literacy content overall. Such intervention may also help teachers and career advice staff perceive financial services in a more positive light.

Ensuring firm cultures, policies and practices support women's aspirations and progress

We suggest a wider review of the UK's societal working practices, including part-time and flexible working, affordable childcare and legislative support for all parents on childcare leave.

The FCA could potentially state their expectations of financial services firms 'fairness in the workplace, for example, career pathways, work allocation and access to promotions.

We highlight the quality of contributions made by BIT within UK policymaking and suggest greater government involvement with them and other research-based institutions. As well as more publicity and endorsement of the recently updated BIT evidence-based actions for employers to improve gender equality[14]. The previous version was jointly published with the Government Equalities Office in 2018.

The government could encourage more inclusive recruitment practices, particularly at senior levels, using a similar initiative to the Women in Finance Charter.

In addition to the recommendations given above, CFA UK supports and/or encourages the following government action:

- Zurich UK's recommendation that the government legislates that employers over a certain size make all vacancies available on a part-time, job-share and flexible basis.
- Support small organisations who offer job-sharing as this can create additional costs.
- Requiring companies to make expectations around salaries and negotiation clear at the beginning of the recruitment process.
- Prohibiting companies from asking for salary history so as promote equal pay based on an individuals skills, experience and value and minimise the possibility of perpetuating existing pay disparities due to gender, race and or other factors.
- Education about menopause and menstruation in schools to create a culture that accommodates them.
- Extend reporting to encompass measures that reflect rates of progression by gender for the most senior level within a firm.
- We also believe that the value of allyship could be supported further by the government and regulators through related initiatives.

Additional input

CFA Institute DEI Code - a global framework to accelerate DEI change

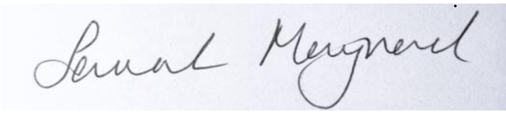
In October 2023, in collaboration with CFA UK, CFA Institute will launch a UK version of their DEI Code[15], a voluntary global code for the investment industry. It builds upon the version launched in 2022 for the United States and Canada, which now has over 160 signatories, responsible for over 18% of global assets under management. The global and international signatories for the North American version are also planning to sign up to the UK version, Australia and New Zealand, Europe and Singapore etc. where they have a presence as the codes are rolled out in the next 12 months.

The basis for the DEI Code[16] was provided by the Experimental Partner Program report, a two-year program with 41 global investment firms totalling $26trn AUM and with over 230,000 employees.

The DEI Code UK is supported by extensive guidance and an annual reporting requirement.

[14] https://www.bi.team/wp-content/uploads/2021/07/BIT_How_to_improve_gender_equality_report.pdf.
[15] https://www.cfainstitute.org/en/ethics-standards/codes/diversity-equity-inclusion
[16] https://www.cfainstitute.org/en/research/industry-research/accelerating-change

Signatories



Sarah Maynard, Global Senior Head, Diversity, Equity, & Inclusion, CFA Institute

Will Goodhart, Chief Executive Officer, CFA UK

Contributors

Sarah Maynard ASIP, Jayne Styles, Samantha Crawley, Preksha Shah CFA, Debbie Harris, Natalie Gill, Leanne Mair, Olivia Maguire CFA, Emma Penny, Fiona Edwards, Marilyn Swinney CFA, Arun Kelshiker CFA