

Who gets ahead and how?

Socio-economic background and career progression in financial services: a study of eight organisations.

Review of literature and practice

November 2020

In this appendix to the full report, we explore the context in which the study took place, drawing on the latest evidence from academia, policy and practice.

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Definition and size of the sector

1. The financial sector is usually taken to encompass most business activities of retail banks, building societies, investment banks and hedge funds, as well as some activities of insurance organisations. A common definition is provided using [Standard Industrial Classification](#) Section K.
2. The financial services sector makes a major contribution to the UK economy, contributing £75.5 billion in 2018/19, which represented 10.5% of total tax receipts and 3.5% of UK GD.ⁱ According to information published by the UK government, the sector is largest in London, where 49% of the sector's output was generated. In 2018, the UK financial services sector was the seventh largest in the OECD by proportion of national economic output.
3. There were 1.1 million financial services jobs in the UK which represents 3.1% of all jobs in the UK. Exports of UK financial services were worth £60 billion in 2017 and imports were worth £15 billion, with 43% of financial services exports went to the EU and 34% of financial services imports came from the EU.ⁱⁱ

Demographic composition of the workforce

4. Unlike large employers in law and accountancy, organisations in the financial services sector are not currently required to publish diversity statistics by their regulators. The FCA recognises that diversity and inclusion are central elements underpinning good culture in organisations, so they are important features of how the FCA evaluates firm culture and conduct. And as a public body the FCA must comply with the Public Sector Equality Duty, both as an employer and in the regulatory activity it undertakes.
5. Overall, accurate indicators of the demographic composition of the sector at entry and in relation to career progression have been relatively limited historically. In 2014, The Sutton Trust published a study conducted by the Boston Consulting Group (BCG) examining the educational background of new entrants and leaders in the UK banking and finance sectorⁱⁱⁱ. This found that 34% of recent intakes and 51% of leaders in the banking sector who were educated in the UK went to independent schools – compared to 7% of the school population. For the financial services sector as a whole, which included banking, insurance, hedge funds and asset management and private equity firms, 37% of recent intakes and 60% of leaders were independently educated, with leaders typically defined as board members, chairs, CEOs, C-levels, partners and MDs.

6. Private equity and asset management are the least diverse by background. In total, 68% of private equity and 61% of asset management leaders went to independent schools while only 15% and 11% of leaders respectively went to comprehensives, which educate around 90% of the UK population. The proportions of leaders who went to independent schools for insurance and banking were 61% and 51% respectively, while 27% of insurance leaders and 39% of banking leaders attended a state comprehensive, with the remaining percentages having attended a state grammar school.
7. A striking feature of The Sutton Trust research was its demonstration that in the financial services sector overall there is limited evidence of significant generational change. In other words, the educational backgrounds of the youngest and oldest quartiles were similar and, in fact, privately educated leaders were more heavily represented in the under 45s (72%) than the over 55s (57%). In terms of how this compares to other elite occupations, previous Sutton Trust research found that pupils from independent schools make up a third (35%) of MPs, 51% of medics, over half (54%) of leading news journalists and seven in ten (70%) of high court judges.
8. More recently, and looking at the investment and savings sector in particular, The Diversity Project commissioned research which found that just under 40% of investment managers were privately educated^{iv}, and a study of UK portfolio managers conducted by the thinktank New Financial found that nearly two-thirds of the industry's leaders went to private schools^v.
9. To the best of our knowledge, there is currently no data which indicates the socio-economic composition of the insurance sector in the UK, although this issue was apparently raised at the industry diversity event, Dive In, during 2018^{vi}.

Pay gaps and inequalities

10. These figures appear to suggest that social class remains relevant throughout an individual's career in financial services and not just on entry to the sector. In their reporting on the 'class ceiling', Friedman and Laurison^{vii} found that the financial services sector in the UK has the most significant pay gap of all elite occupations, of £17,500 pa. In other words, individuals who access the financial services sector from less privileged backgrounds are likely to experience a pay penalty throughout their career.
11. Their work also pointed out that this is the case even when we control for prior academic attainment and university attended; and the effect of intersections

between different diversity characteristics, suggesting that there is an estimated 60% (avg. of £20,000) pay gap between the least advantaged women (Black British women) and most advantaged men.

12. There are numerous explanations for exclusion in relation to access and in relation to career progression, which are discussed below, but these patterns can be understood as forms of occupational segregation, such that women and other minorities are often found towards the bottom of occupational hierarchies (vertical segregation) and are concentrated in particular roles, often those that are less prestigious and lower paid (horizontal segregation). One explanation for the class pay gap noted above is that the financial services sector is similarly segregated, so that individuals from lower class backgrounds are disproportionately found in more junior and/or middle or back-office roles, although to date figures detailing these patterns are not currently publicly available.
13. The financial services sector also struggles with gender diversity, especially in more senior roles. In a 2016 report, New Financial analysed female representation on boards and executive committees at a sample of 200 companies across UK financial services, and found that while women hold nearly a quarter (23%) of board positions, they comprise just one in seven (14%) of executive committee members^{viii}. The Women in Finance Charter Annual Report^{ix} found that in 2018 women represented 37% of senior management in FinTech; 32% in insurance; 32% in UK banking overall; 27% in investment management, and 25% in investment banking. However, 87% of signatories to the Women in Finance Charter have met or are on track to meet their targets for female representation in senior management.
14. Looking at the role of senior finance professionals in business, the 2019 Hampton Alexander report found that women represent around 15% of all Finance Director roles in the FTSE 350^x. Of the financial services firms in the FTSE 100, a third of board positions are held by women. The percentage of women board members for banks and other financial services organisations ranges significantly, with just over 40% at the Royal Bank of Scotland for example, though many organisations have a significantly smaller proportion of women board members than this.
15. Financial Services has a median gender pay gap of 28% versus 17.3% across the UK economy (equivalent figures are 34% for banking, 25% for insurance, and 19% for professional services)^{xi}. Banks located in the City of London also report persistent and significant gender pay gaps. A report by e-financial based on figures provided by 31 leading banks suggested that the proportion of women in the lowest pay quartile exceeds the proportion of women in the highest pay

quartile by 36 percentage points. Some banks do better than others however, with for example JP Morgan having a gender pay differential less than one-fifth of the average.

16. The pay gap is less pronounced in back office roles, but notable nevertheless, particularly since these roles tend to pay less overall^{xii}. In 2019, amongst British banks, Barclays, Lloyds and Clydesdale Bank reported a median hourly pay gap of at least 38 per cent, while Royal Bank of Scotland had a gender pay gap of 36.8 per cent^{xiii}. This is typically explained on the basis that women are under-represented in senior positions rather than because they are paid less than men in like-for-like roles.
17. Figures detailing the demographic composition of the financial services sector in terms of ethnicity are more difficult to find, especially as they relate to specific organisations and/or specialisms. While not restricted to financial services necessarily, one indicative figure is that 28% of the City's working population is Black and Minority Ethnic, while 15% of the UK's financial services and insurance employees are Black and Minority Ethnic^{xiv}.
18. A study by Green Park in 2019 found that the leadership pipeline supplying the highest tier of management in FTSE100 banking and finance companies featured the highest level of ethnic minority talent in four years, including 15% of professionals with a non-white background, compared with 5% of leadership pipelines for FTSE100 companies overall and 6.5% for the total in 2014. They also reported a minor improvement in the proportion of banking and finance board members with a non-White ethnic background from 8.3 percent (31 people) in 2014 to 8.8 percent in 2019 (33 people). However, boards of banking and finance companies in the FTSE 100 are still not representative of the UK population, which is 87.4% percent White British / White Other.
19. The Diversity Project/Mercer Benchmarking Study^{xv} of investment managers found that 81% were White or White British, 5% were from mixed or multiple ethnic groups, 10% were Asian or Asian British, and 1% were Black British, Black Caribbean or Black African. To some extent, these demographics may reflect the composition of the pool from which these organisations initially select, which itself may be relatively lacking in diversity. However, it should be noted that 40% of the working age population in London is from an ethnic minority according to Census data, and in this sense, the workforce is not representative of the local population or indeed of the UK as a whole.

20. Finally, while the demographic composition of the City has remained relatively exclusive according to gender, ethnicity and social class over the past thirty years, it is international. Currently, 39% of workers in the City were born overseas. For the financial and professional services sector specifically, 35% of workers in the Square Mile, 36% in London and 19% across the UK are born overseas^{xvi}.

Research on diversity and career progression in the financial services sector

21. The data cited above demonstrates that people from lower SEBs are under-represented in the financial services sector overall, but that this is especially likely in the most senior positions and in the most prestigious front-office roles. To date, much of the research seeking to explain this situation has focused on access rather than career progression. It is likely of course that these are related and that under-representation of people from lower SEBs relates in part to low rates of access at the start of their career. Currently there is a lack of statistical data which demonstrates the relationship between SEB and career progression within organisations beyond that point, or which shows how class intersects with other identity characteristics such as gender and ethnicity, to produce patterns of advantage and disadvantage. This data is essential to show for example in which organisations and job types individuals from lower SEBs are more and less likely to progress their career, and whether they are concentrated in particular roles. Data of this type can also indicate where individuals from lower SEBs are most likely to encounter barriers to progression, which may be the result of factors such as hostile organisational cultures, discrimination and bias.
22. In the absence of this more granular data, some studies nevertheless have demonstrated how SEB or social class is likely to impact both rates of career progression and its direction. There has also been more significant attention to gender, and while it is important to acknowledge that the challenges encountered by women when developing a career in financial services are not the same as those encountered by individuals from lower SEBs, it is likely that there are some similarities here.
23. Starting with work that has examined the impact of SEB on career progression and pathways, the most important and recent addition to the literature has been Friedman and Laurison's^{xvii} work on the 'class ceiling.' Friedman and Laurison's work involved interviews with over 100 respondents along with detailed analysis of data from the Labour Force Survey. It is arguably the most detailed and certainly the most recent exploration of the relationship between social class and career progression in organisations today.

24. As noted above, this report demonstrates that there is a significant class pay gap in many elite occupations, which is especially significant in finance. Friedman and Laurison rely predominantly on the work of Bourdieu to explain why this might be the case, and especially his notions of social and cultural capital.

25. Social capital can be defined as networks of friends and family which offer important information about entry routes into elite occupations, while cultural capital refers typically to 'embodied' characteristics, such as speech, accent, behaviours, dress, and tastes, that can be aligned with and mapped on to social class, and which signal expertise and exclusivity. Bourdieu's ideas are an especially helpful way to understand social class, since this schema recognises that one's status in life is partly related to economic factors, including income and wealth, but that social class takes into account a wider range of more subjective factors than that. In further detail, Friedman and Laurison attribute class pay gaps in the finance and other sectors to four main factors:
 - a. First, they describe the role of economic capital, or the 'bank of Mum and Dad.' They show that a more affluent background provides a safety net, which offers individuals from more privileged background security as they seek careers in elite fields.

 - b. Second, Friedman and Laurison discuss the role of 'cultural capital' to point out that individuals from particular class backgrounds experience forms of socialisation during their early life which mean they experience a more natural sense of fit in professional environments. With respect to finance, this is likely to mean that individuals from more privileged backgrounds who perhaps have professional parents themselves are more likely to understand the 'rules of the game' in similar organisations. One implication is that they are more confident when progressing their career, which is often an essential characteristic in order to develop and progress a career in this or any other sector.

 - c. Third, they discuss the role of networks and social capital, which provide a 'helping hand.' This might operate at the point of entry as individuals from more affluent backgrounds are more likely to be provided with the information they need about entry routes and may be assisted in accessing work experience. However, forms of social capital remain important as individuals progress in their careers, as for example those who come from a more privileged background may be more likely to benefit from mentoring and sponsorship from individuals who are much like them,.

- d. Fourth, Friedman and Laurison describe processes of self-elimination and being sorted into particular jobs or being selected out depending on perceived 'fit.' Again, this process is likely to be relevant at the outset of careers but remains important as people aim to move between roles and job types or seek to move up the hierarchy. The argument here is that people from more privileged backgrounds, and with particular forms of cultural capital which are recognised as valuable within the organisational context, will consider themselves and be considered a more natural 'fit,' including in more senior roles, than others who are might be equally capable technically, but who lack these forms of capital.
26. One recent report entitled 'Connections at Work' by Equality Group^{xviii} did pick up on some similar issues. This responded to evidence of low rates of social inclusion in the financial services sector and surveyed workers about their access to social networks which might assist career progression. In total, 51% of their respondents said that there are people in their place of work who are progressing further due to their personal relationships with decision-makers, despite being less qualified, experienced or skilled, and 44% said that, despite going over and above their employers' expectations, building robust professional relationships and excelling in academic and professional development, there are others at work that have progressed faster due to nepotism and none of the previously mentioned attributes.
27. Other than the research outlined above there is very little contemporary literature which specifically examines how SEB relates to career progression within the financial services sector, or which explores the experience of being of lower social status within these environments. Similar explanations for differential career pathways and outcomes are though reproduced in a much wider literature which focuses on women in the financial services sector, rather than SEB. An overarching approach here has been to understand organisations as 'gendered.' In essence, this suggests that hierarchies have been established in society, between in this case men and women, and that over time everything in that society comes to reflect and reproduce this hierarchy, including within organisations.
28. One of the most influential contributions to this literature was Linda McDowell's work on investment banks in the City of London, which was first published in 1997 but which remains highly relevant today. This research is especially useful as while her main focus was on gender, she also discussed the impact of social class. She found that women are constructed as inferior workers in relation to a masculine

ideal, which was also classed. Overall, men are substantially more likely to benefit from informal sponsorship from other men.

29. This research also pointed towards 'homosocial reproduction' as an explanation for the dominance of middle-class white men in senior positions, as they tend to promote in their own image, largely to the benefit of other middle-class men, and to engage in types of networking and socialising that are important as a route towards promotion, but which exclude women and people from lower SEBs. In turn, this substantiates a wider range of sociological work which underlines the roles of social networks in determining career opportunities and on promotion as a process of cultural matching, where suitability is based in part on 'fit.' An additional important focus as it applies to financial services, for McDowell and many others, has been on the culture of long hours and total commitment, which is a characteristic of many roles within financial services^{xix}. While this has a negative impact on all employees, it is likely to remain more so for women, given their continued greater responsibility for caring work^{xx}.
30. In addition to sociological perspectives, there is a great deal of literature which examines diversity and inclusion in organisations from a psychological perspective, which clearly applies to those within the financial services sector. The impact of 'unconscious bias' has been particularly important in recent years. This suggests that direct or deliberate discrimination has been virtually eliminated or at least reduced but that nearly all individuals possess unconscious biases which cause them to exert preferences in favour of certain people and groups, based on stereotypes associated with factors such as gender and social background. A focus on unconscious bias is especially associated with the introduction of diversity and inclusion agendas and has been accompanied by widespread use of unconscious bias training, which is intended to alert managers to their biases as they appoint and promote, so that they can be redressed.
31. Unconscious bias training is widely used in the financial services sector as elsewhere though there is very limited evidence that it has been successful in delivering improved outcomes for under-privileged groups^{xxi}. One response has been to focus on debiasing the organisation rather than the individual, leading to an increasing focus on 'nudge theory' or the behavioural insights approach. This points out that it is very difficult to 'debias' individuals and that unfair discrimination (which is often inadvertent) is in any case often more obviously located in systems and process. As such, the attention should also be focused here. The effect of this approach on outcomes has yet to be widely tested or reported on in financial services sector ^{xxii}.

32. Another explanation for differential outcomes for men and women is stereotype threat, as women are in the minority in masculine fields including finance and banking and may experience stereotype threat or the concern about being negatively stereotyped in their workplace. This can lead to negative job attitudes and intentions to quit or the perception that one's gender identity is incompatible with one's work identity^{xxiii}. Some researchers have focused on impression management to show that this is essential in relation to progression opportunities by maximising visibility, but that women are less willing to play the "the organizational game" and abide to the unwritten rules which are constructed as masculine, preferring to trust good management and systems fairness for just rewards. Overall, women rely on extra high performance and commitment for visibility to their seniors rather than the networking, ingratiation and self-promotion strategies used more by males^{xxiv}. These strategies may be less successful in securing promotion.

33. Within the practitioner literature, many of the themes outlined above were summarised in the recent New Financial report on diversity in portfolio management^{xxv}. This identified a number of barriers to career progression for women in this sector, which included but were not limited to the myth of meritocracy; low job turnover in senior positions meaning that there are fewer opportunities to access senior positions overall; poor management which is not sufficiently focused on difference; a culture of presenteeism and limited flexibility in terms of when and where work is performed; a lack of transparency about career progression and opaque HR policies; limited role models; client biases and expectations; low rigour in succession planning; a lack of networking opportunities and a relatively masculine culture in which banter is tolerated.

34. To some extent, employers have attempted to address these issues through performance management systems, where formalisation is considered to help to eliminate bias in relation to promotion and ensure that this takes place on merit. There is also some evidence that employers in the sector have been updating their performance management systems, moving away from numerical systems which are anxiety inducing for employees and may not improve performance, to measuring strengths and weakness, and focusing on what matters. Employers have also moved away from annual appraisals to more regular and ongoing reviews throughout the year^{xxvi}. Organisations in the sector have also been encouraged to think more creatively with respect to their career architecture and career paths^{xxvii}. There is though limited evidence that even despite these changes performance management systems are properly equipped to identify and reward merit on an objective basis, in part because managers are easily able to evade such processes in order to exert their own preferences and biases.

35. As noted, it is likely that many of the issues outlined above are equally applicable to the experience of individuals from lower SEBs, though this is not proven and additional research is necessary and urgent to prove that this is the case and/or to demonstrate where these experiences differ.

Research on diversity and career progression across sectors

36. It is possible that questions relating to fit are centrally important here, and these have been taken up and summarised by American academic Karen Ashcraft, who makes a number of important points about career progression within elite occupations, including those within the financial services sector. Ashcraft's work uses the Cinderella story to show that assumptions of who fits which roles are often taken for granted and assumed but are in fact highly arbitrary and based on historic practices and factors. She does this using the 'glass slipper' as a metaphor, which arguably offers a useful thinking tool to explain why white, middle-class men continue to dominate the most senior and prestigious positions.
- a. For example, Cinderella has a dainty foot and thus we come to assume that this is a necessary part of being a princess. This is though a historical association which is entirely arbitrary – a dainty foot is not a technical requirement for the role. Similarly, the occupants of professional roles have historically been white and male, and so we have come to assume that characteristics associated with ethnicity, gender and class are necessary characteristics to perform these roles. Again, this is however a historical association, which are not related to considerations of talent or technical skill.
 - b. Ashcraft points out that when Cinderella tries on the Glass Slipper it is a perfect fit but that we should not be surprised by this, as the slipper was made for her. Similarly, in many elite occupations white, middle-class men tend to dominate the most prestigious and senior positions, but we should not be surprised by this, as these roles were made by and for white, middle-class men. As a result, people who bear these characteristics are likely to continue to unfairly benefit from entrenched cultures and structures.
 - c. Ashcraft also reminds us of the difficulties of faking it, as Cinderella's stepsisters struggle to squeeze their foot into a slipper that does not fit, ultimately without success. Similarly, individuals who are considered or consider themselves a poor fit with occupational identities which have

developed over time may experience considerable pressure to assimilate and fit in. This is though sometimes impossible and usually uncomfortable and can cause individuals to lose confidence and self-belief. As a result, they may be less likely to push themselves into particular roles, thus contributing to differential rates of career progression and pathways overall.

- d. One benefit of this metaphor is to remind us to question our ingrained assumptions around 'fit,' but another is to explain why there are such enduring differences between the demographic composition of for example, front, middle, and back office roles. Ashcraft's argument would suggest that people who present as middle or upper class are considered within organisations to better fit 'front office' roles whereas middle and back office roles are considered a better fit for people with lower status identities, who are more likely to be assigned or to assign themselves to roles elsewhere, sometimes irrespective of relative interest, aptitude and ability. We consider what might drive change next.

Drivers to change

37. Over the past ten years, there has been growing attention to the relationship between SEB and access to the financial services sector, as a variety of initiatives have been introduced which are designed to widen access. This is encouraging, although the focus at present tends to be on entry level rather than the relationship between SEB and career progression, which has been neglected to date. Where financial services organisations have focused on diversity and inclusion in relation to career progression, the major focus has apparently been on gender and to a lesser extent ethnicity. The previous section has indicated some of the barriers to change in each of these areas and in this section we consider what might represent key drivers, including in relation to SEB.
 - a. A first issue is the relationship between the demographic composition of the financial services sector and its efficiency and effectiveness. Philip Augar has written extensively on the structures and cultures of financial service organisations in the City of London, including in relation to their demographic composition. In his book, *The Death of Gentlemanly Capitalism*, first published in 2000, he argued that the demographic composition of the City in the early eighties contributed to the financial crash of 1987 because the social and professional backgrounds of those

involved caused them to place “hierarchies and conservatism above networks and flexibility.”^{xxviii}

38. Similar ideas have been suggested in the US. In 2009, American academic Karen Ho published her book, *Liquidated*, the main purpose of which was to investigate the role that Wall Street played in driving changes to shareholder capitalism and, especially, to ask how Wall Street investment bankers and banks, ‘at the level of the everyday, helped to culturally produce a financially dominant, though highly unstable, capitalism.’ Her main thesis is that cycles of boom and bust are often associated by insiders and observers with naturalised feature of ‘the market.’ In contrast, she argues that while the social make-up of Wall Street does not determine these cycles of boom and bust, it cannot be separated from it either, and should be understood in relation to the workplace models, the workplace cultures, and the organisational values of Wall Street – and the personal experiences of people working for them. She goes on to explain that bankers recruited from elite universities are trained to think of themselves as the ‘brightest and the best’ and, given a working context of privilege and insecurity, are encouraged to work ever harder to push more deals, which sets the stage for market crisis. Again, a tendency towards crisis cannot be read directly of bankers’ backgrounds, but is related to it nevertheless, including to the extent that mythologies around who bankers are and what they do encourage and enable instability.
39. While again, the emphasis here is to some extent who is coming into the sector, these issues are entirely relevant to career progression which results in relatively homogenous senior elites. Building on this theme, some commentators suggest that an emphasis on recruiting ‘top talent’ in order to generate high performance did not prevent the financial crash of 2008, and that the homogeneity of City elites especially with respect to gender, coupled with a sense of entitlement bred from privilege, are in fact considered contributory causes^{xxix}. As it applies to gender rather than social class, this argument has been encapsulated in relation to debates about whether Lehman Brothers might have had different and better outcomes if it had been Lehman Sisters^{xxx}.
40. Many of these reports pick up on common themes, including for example the dangers associated with ‘group think’ and those associated with (over)-confidence. Studies have repeatedly demonstrated that confidence is key when seeking to progress within elite occupations, including within the financial services sector, as a means for example to reassure clients, in the context of decision making which is often considered high risk. It should be underlined that confidence is highly contextual – people are likely to appear most confident when they are surrounded

by people like them. Further, the type of confidence valued in the financial services sector is likely to be highly specific and to favour individuals who are similar to those already in positions of power, and thus likely to be middle or upper-class. Valuing confidence in this sense may though represent dangers to the sector by encouraging a culture in which displays of arrogance are perhaps overvalued and discouraging a more cautious approach, in which individuals are able to admit when they do not know the answer to a key question.

41. Overall, change is most often positioned by organisations and external commentators as necessary to retain the best talent and to maximise productivity, and in this sense the motivation is located within the business case. For example, the Financial Services Skills Taskforce convened by The City UK, with support from EY and The City of London Corporation, has suggested that changes in the workplace due to globalisation and technological and demographic shifts demand a new approach from financial organisations to attract, motivate and retain future talent. They note that top performing school leavers and graduates are increasingly looking at tech careers but argue that financial organisations must become more attractive and compelling as a career path if they are to redress this decline. This will involve attracting, motivating and retaining the widest and deepest pool of talent.^{xxx1}
42. Many studies have aimed to quantify the business case for attracting and retaining diverse talent, though again, this has tended to examine gender not SEB. For example, one study in the US found that female participation on bank boards has a positive effect on financial performance, but only once a threshold level of gender diversity is achieved. This positive effect is also only observed in better capitalized banks, suggesting that the expansion of gender diversity on bank boards will be value-enhancing, provided that they are well capitalized^{xxxii}. Another study found that gender diversity is correlated to better risk management decision-making and outcomes in financial services organisations^{xxxiii}. Business case arguments are appealing to senior leaders in the sector, and are often underlined in practitioner reports, such as McKinsey's '*Why Diversity Matters*.'
43. The declining popularity of a career in financial services amongst top performing graduates is often raised as problematic within the sector to the extent it limits initial access to top talent. Trends here appear to fluctuate but for example, while applications to all graduate programmes rose during 2019-2020, this was least noticeable in banking and finance, where applications were up 4% and in investment banking where applications grew by 5%. Equivalent figures for accounting and professional services were 15%, for law they were 11%, and in consulting the figure was 18%. Overall, financial services is the least trusted of 15

sectors^{xxxiv}. However, some reports have suggested that as graduates of elite universities target the most prestigious jobs in financial services less often, here and in the US, this could represent an opportunity for the sector to diversify, in terms of access at least. Equally, a growing requirement to fill technology related roles could also help to diversify the sector to the extent that organisations are required to recruit from a different demographic.

44. Some research suggests that data will play an important role here. McKinsey argue for example that banks have failed to provide a strong value proposition to employees which explains why they are losing ground in recruitment compared to sectors such as technology. As a result, they may be struggling to compete in a global 'War for Talent.' McKinsey suggest that banks should revamp their employee value proposition using data, analytics and organisational science. Using evidence-based talent management and technology will allow banks, they suggest, to better understand drivers to employee engagement, and help them to identify and fill talent gaps via micro-targeting.^{xxxv}
45. While these arguments appear quite compelling, it should though be stated that both the notion of the War for Talent and the use of the business case are considered highly controversial in a critical academic literature. With respect to the former, the notion of a 'War for Talent' raises the question of exactly how 'top talent' is defined and whether an apparent shortage relates to the somewhat narrow way in which talent has historically been defined, including as this relates to social identity characteristics such as gender, race and class, as hinted at above. From this perspective, it is possible that the 'War for Talent' identified by McKinsey is a product of relative definitions of talent rather than its absolute availability. The War for Talent might also be considered less an explanation of recruitment trends and more as a justification for the high status afforded to certain sectors and roles, by suggesting that the available talent is relatively scarce and therefore especially valuable. This emphasis has also been considered problematic as it puts the emphasis on individual performance and 'star players' rather than recognising that organisational performance is invariably the result of team efforts.
46. With respect to the business case, a critical literature points out that this is highly contingent and may not be sufficiently compelling to drive change. Business case arguments have been deployed over a number of years in relation to gender, but as noted above, women remain significantly under-represented at senior levels in many parts of the financial services sector, and the sector continues to have one of the most significant gender pay gaps of all occupational groups in the UK.

47. With respect to SEB, and again as noted above, it is likely that while there are incentives to diversity on this basis, alternative business cases circulate within the sector in support of the status quo. This is the case where for example a high-status social identity is understood, implicitly or otherwise, to signal exclusivity and expertise to clients and colleagues.^{xxxvi} In these circumstances, the business case might drive relatively cosmetic or superficial change, the nature and extent of which depends on the particular characteristics of individual and disadvantaged groups, the economic context and the job itself.
48. More fundamentally, the business case might be seen as representing a paradox. Recruitment, selection and promotion mechanisms have been developed to prioritise formal rules and procedures so that people are appointed on the basis of what they know, rather than who. In turn, this is based on a belief that formal procedures will lead to equality as rational employers wishing to maximise their access to talent and improve productivity, will appoint and promote without regard to social identity characteristics, such as gender, ethnicity and class, which are irrelevant. This belief is central to the ideology of 'merit' which is pervasive in many financial services organisations, and rests in turn on a particular form of economic rationality originating in neo-classical economics, which assumes the operation of neutral labour markets. According to this model, the 'right' people (according for example to their skill, talent, education) will be matched to the 'right' jobs (according for example to their complexity and nature) on the basis of free and fair competition.
49. Decades of sociological research have though demonstrated that labour markets are not neutral and further, that appointing and promoting according to impartial and objective measures of merit is almost impossible. This is especially true in professional and managerial roles, where social relationships are key, but also relates to the fact that the operation of neutral labour markets is almost always interrupted as managers appoint and promote on the basis of cultural frameworks which are deeply embedded, and with reference to established power and interests. When viewed from this perspective, a significant problem with diversity is that by prioritising the business case as the motivation for change, and thus mistakenly assuming that managers can and will act 'rationally' on this basis, it attempts to address issues of inequality using the very same form of economic rationality that has already been proved as entirely inadequate to the task.
50. Partly as a result, it is also important to consider additional motivations to change, especially by focusing on what is egalitarian or fair. One approach is to consider social justice, as it remains the case that restricting access to jobs in financial services and subsequent opportunities for career progression means that some of the most highly remunerated roles in the UK are reserved for individuals from

already privileged backgrounds. For example, The Sutton Trust study conducted by the Boston Consulting Group estimated that in the UK in 2014 30-40% of those earning over £120,000 a year work in financial services^{xxxvii}.

51. Limiting access to elite and senior jobs across the financial services sector also has a negative impact on social mobility in the UK. To briefly describe trends here, a wave of absolute social mobility in the UK in the years following World War Two is typically associated with the absolute increase in professional and managerial jobs at this time, offering more opportunity for individuals from working class backgrounds to engage in upward social mobility. Over the past thirty years, these opportunities have been gradually cut-off, and one study in 2009 found that it has become more rather than less difficult to access elite jobs for people from less privileged backgrounds. For example, while professionals born in 1970 typically grew up in a family with an income 27% above that of the average family, this compares with 17% for older professionals who were born in 1958.^{xxxviii}
52. It is relevant to note that social mobility is inversely related to inequality and therefore the role that financial services organisations play in relation to the latter is worthy of consideration. Economic inequality can be defined as significant variances in the distribution of income and wealth^{xxxix}. In the UK, there have been large increases in the shares of total income taken by the top earners, especially the top 1% - rising from 5.93% in 1977 to 10.36% in 2012, changes which matter because they affect the entire income distribution – in other words, an increased income share going to top earners will increase overall inequality, in terms of income before taxes^{xl}.
53. In both the UK and the US, the top one or five per cent of income earners have more or less doubled their share of total income since the early 1980s so that we have now returned to pre-1914 levels of income inequality^{xli}. The financial services sector is not detached from these changes but is in fact heavily implicated in driving them, suggesting that if it wishes to address its role in relation to social mobility, it would also benefit from looking at the wider impact of its activities, structures and cultures on the macro-economy of the UK.
54. Inequality matters not only for its own sake but because it contributes to a range of political challenges, including social resentment, political instability, populist, protectionist and anti-globalisation sentiments^{xlii}. Inequality also matters because more equal societies tend to have a range of better outcomes^{xliii}, while a range of research is emerging which suggests that inequality may also be related to macro-economic instability, as it contributes to reduced growth, increased debt, and a less healthy economy overall^{xliv}. The financial services sector may also wish to consider the effect of evident social exclusion on issues of public trust. To reiterate

though, for these issues to be addressed it will not be sufficient merely for the sector to become more diverse on the basis of social class but also to consider how it can become more inclusive, to allow alternative and dissenting voices to be heard, and to engage in critical interrogation about how the culture and operations of financial service organisations impact the economic at a much wider scale.

55. This is clearly a significant task. However, it is likely that the UK is entering a period of significant economic insecurity, as a result of the combined effects of Brexit and Covid-19. There is conflicting information on what happens to diversity agendas during times of crisis, though typically it is expected that they may suffer from a relative lack of focus. One issue relates to risk, with some studies suggesting that at times of economic crisis and when there are job losses, hiring managers are more likely to recruit and promote on the basis of familiarity and similarity, in order to reduce perceived risk.

Research on the relationship between SEB and access to the sector

56. So far, this review has discussed the relationship between career progression and SEB but as noted, there is a great deal more literature that examines issues surrounding access, many of which have used similar theoretical frameworks and especially the work of Bourdieu.
57. For example, with respect to social capital, exclusion from the financial services sector has been related to limited knowledge of the jobs available for people who do not already have friends and family in the sector, or who cannot leverage important contacts to obtain all-important work experience. For example, one study found that two thirds (65%) of the UK population would not consider a job in financial services and 16% think they can't pursue such a job because they have no contacts in the sector^{xiv}. Obtaining work experience can be a crucial first step towards securing a formal internship, which in turn is one of the most common routes towards a permanent role. There is though evidence across the financial services sector that organisations often offer work experience on an informal basis to for example family and friends of clients and colleagues. This offers individuals with these social networks a considerable advantage.
58. In 2016, the Social Mobility Commission (SMC) published a study examining barriers to access to investment banks located in London, on the basis of socio-economic background.^{xvi} This found that the problem of limited social diversity starts as individuals from less privileged backgrounds have less information or

knowledge about careers in investment banking. The recruitment cycle for investment banks starts early in an individual's academic career, and aspirant bankers are often expected to apply for work experience in their first year at university, or even before. This leaves those without professional networks at a disadvantage, as they are unlikely to be aware of this expectation and may struggle to catch-up.

59. In addition, investment banks tend to appoint new graduates almost entirely from a narrow set of elite universities for front office roles, including for example in the UK, LSE, UCL, Imperial College London, and Oxford and Cambridge. These institutions tend to be less diverse on the basis of socio-economic background and thus recruiting from them is likely to limit the available pool on this measure at least.
60. Investment banks in the UK screen applicants according to academic credentials gained at school, and candidates are expected to be amongst the very top achievers. There is though a strong relationship between socio-economic background and performance at school as a result of differential access to teaching and resources, and therefore tight screening on this basis is likely to have a disproportionate negative impact on individuals from less privileged backgrounds.
61. Within selection, the report found significant evidence that hiring managers recruit for similarity and 'fit,' including by focusing on measures of 'polish.' This is an ambiguous term but often centres on confidence, and communication skills, along with other markers of presentation, speech and style, including dress, all of which can be defined as 'cultural capital.' The types of cultural capital preferred during the selection process to investment banks are typically more available to individuals from more privileged backgrounds, who have been appropriately socialised in to expected forms of behaviours. For example, candidates may be judged on their accent or their dress.
62. An important point highlighted by this report was that hiring managers in investment banks have a relatively high level of discretion in terms of who they ultimately appoint. Internships also play a key role here, as applicants are assessed on the job. This works against social diversity again, because hiring managers tend to recruit in their own image and to avoid perceived individual or organisational risk, including by appointing people who are similar to those they have appointed before. The issue of risk is exacerbated because often individual hiring managers appoint relatively limited numbers of graduates each year.

63. This matters for several reasons, one of which is that social inclusion often requires a relatively highly level of flexibility or informality at the recruitment and screening stage (for example, by being flexible on previous academic qualifications depending on background) and a relatively high level of formality at point of selection (for example HR involvement to help reduce bias). Investment banks exercise the opposite of this within graduate recruitment and selection, and there is reason to expect that this pattern is repeated in other parts of the sector, especially as applied to front office roles.
64. Many of these themes are replicated in the US. For example, in her book *Pedigree*, Lauren Rivera found similar challenges, as she identified a golden pathway into elite jobs for individuals who benefit from a privileged education at school, which helps them into an elite university, and offers them the social networks and cultural capital to move into an elite job. Rivera also highlights the role of 'cultural matching' again, as hiring managers aim to recruit people much like them^{xlvii}.
65. A common objection within the sector to the explanations outlined above is that in complex and intellectually demanding professional work, including within the financial services sector, it is entirely rational to recruit top performers from elite institutions. One counter point to this is that talented students are found at a much wider range of universities than those from which financial service institutions prefer to select. A preference to recruit from elite universities may then stem from other drivers, including an interest in efficiency – in other words, faced with thousands of applicants to relatively few jobs it is quicker and easier to focus on relatively few, and this was recognised by respondents to the SMC study described above.
66. Objections also suggest that exclusion on the basis of social background is an accident of circumstances in wider society rather than tendencies within organisations to discriminate. This argument often originates tacitly or otherwise in human capitalist approaches to the labour market, which are aligned with the form of economic rationalism introduced above, and suggest that where individuals are offered equal opportunities to maximise their human capital including via education and credentials, discrimination will be eradicated within rational labour markets which will appoint according to 'merit.'
67. As noted, some commentators believe that this position has already been achieved, including as access to higher education has dramatically expanded over the past thirty years. This argument is though controversial, partly because it demonstrates once again the dangers of the meritocratic narrative, which is prevalent in the financial services sector, and which suggests that those who do not achieve 'success' should blame themselves rather than persistent structural

disadvantages in the labour market. Further, the education system in the UK remains highly stratified, and the data already presented in this literature review suggests that organisational meritocracies have not been realised to date.

68. Academics who adopt a more critical perspective, have demonstrated that labour markets are likely to continue to discriminate on the basis of factors such as gender, race and class, as long as it is 'rational' to do so. This argument points out that organisations respond to a range of competing rationalities, not all of which are prioritised in talk.
69. Within the professions and other elite occupations, including financial services, one explanation for exclusion on the basis of social class relates to a notion of occupational closure and the professional project. In brief, this seeks to understand how some elite occupations have attained special status and prestige. Often, the assumption is that this is related to the particular complexity of the work, and the relative scarcity of people available to do it.
70. Sociologists of the professions suggest that this is partly true, but that often elite status has been achieved as a result of deliberate and conscious efforts over many years by occupational groups. Formal closure related to these efforts tends to limit entry on the basis of qualifications and credentials. Scholars suggest this sets up an artificial scarcity in the available knowledge and therefore helps to generate high fees.
71. Informal closure mechanisms, which are arguably more available to organisations in the financial service sector which generally have relatively porous boundaries, rely on the types of social and cultural capital outlined above, which are associated with social class. Again, academics have argued that having defined talent in relation to relatively narrow forms of cultural and social capital, elite occupations have constructed a different way to limit the number of eligible candidates, thus generating an artificial scarcity, and helping to secure their status.
72. Recruiting on the basis of social class may also be useful because financial service sector organisations are typically knowledge-based organisations, but knowledge is often relatively subjective and ambiguous. Academics suggest that appointing people with high status social identities is one means by which organisations can compensate for this ambiguity, as in the absence of other information, people who are white and middle or upper class, 'signal' expertise to colleagues and clients. In turn, this argument is based on a long history of sociological research which demonstrates that expertise has historically been 'vested' in white, middle-class men, who therefore have to do least to demonstrate its possession, compared for

example to women and individuals from ethnic minority backgrounds who have to do much more.

73. This argument would also suggest that we are likely to see more diversity, on the basis of social class at least, in roles which are more technical and where talent and performance can be objectively measured, compared to roles in which knowledge is more subjective and ambiguous, and less easily assessed according to a single set of markers. This argument is likely to play an important role in relation to career progression and pathways, as individuals wishing to develop their careers may find themselves sorted into particular roles on this basis too. As there is an increasing demand for technical skills in financial services this may have a positive impact on diversity in the sector, again, on the basis of social class. However, to the extent that these roles are currently more likely to be filled by men, the impact on gender diversity is even less certain for now.
74. The findings outlined in the review conflict with an impression of meritocracy projected by the financial services sector. It is often considered by external commentators that maintaining an impression of meritocracy important because it helps to justify the position and privilege of those in positions of power. The 'myth of merit' is often considered by academics studying sociology and diversity as one of the key barriers to genuine inclusion. Merit is often positioned by elite occupations as the key criteria by which entry and promotion is judged, based on apparently objective criteria. A body of literature points out that definitions of merit are though fact highly ambiguous and tend to correspond with the characteristics of those already in positions of power. Some eminent academics have questioned whether impartiality is in fact possible, especially in professional jobs, which rely on social connections, networks and trust, raising questions about how to implement systems which are genuinely 'fair.'

Social mobility and other diversity initiatives

75. There are numerous initiatives aimed at supporting diversity and inclusion, including with respect to SEB, in the financial services sector. They are hugely skewed towards widening access, and not all are mentioned here. They include:
 - a. The Social Mobility Pledge: The Social Mobility Pledge represents a powerful and pioneering shift towards being a truly purpose-led organisation committed to social mobility

- b. The Social Mobility Partnership: A volunteer-led charity, SMBP is a collaboration of 130+ commercial organisations, professional services organisations and professional sports teams working across 13 towns/cities. 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 the UK in 2019.
- c. *Pathways to Banking and Finance, The Sutton Trust*: Opportunities for Year 12 students to explore a range of careers in the financial sector - work experience, skills workshops and mentoring, and networking opportunities with finance professionals, aim is to experience what working in the financial sector is like^{xlviii}.
- d. *SMF Aspiring Professionals Programme- City/Financial*: Offers students in their final years at school insight into top professions and to provide them with the skills needed to achieve their aspirations. Includes mentoring, skills sessions, application support and guidance, and internships with top employers, including within the finance sector, JP Morgan^{xlix}.
- e. *UpReach*: In partnership with university, works with students to provide them for example with work experience, application support, and workshops and skills training.
- f. The Brokerage: Help young people in London achieve their potential by providing work, employability skills and jobs in financial, professional and related services^l.
- g. *SEO (Sponsors for Educational Opportunity)*: Offers three programmes, SEO Careers, SEO Scholars and SEO Connect, partners with over 50 sponsor firms across eight leading industries to support individuals into internships and graduate roles. Offers training, mentoring and work experience.
- h. *Rare Recruitment*: Provides a number of services including a contextual recruitment system and various programmes including to partner with schools and universities to offer one-to-one support with university applications and personal statements, CV and interview workshops, debating and commercial awareness sessions. Also develop and recruit for bespoke work experience programmes.

- i. *Investment2020*: A careers website where applicants can learn about the investment management industry, also providing access to school leaver and graduate trainee programmes across 42 partner companies and run a network for trainees.

- 76. The FCA's flagship Community Engagement programme, Inspiring Futures, has *the vision of building skills, confidence and resilience in young people*. The FCA are working with three Newham schools with above average number of students in receipt of FSMs, benefitting 240 pupils (Currently Year 7&8). *The aim of the programme is to give support to students on this programme up to and including Year 11, having contact each year to deliver careers advice, work experience leading to possible employment, either directly or through the FCAs apprenticeship scheme.*

- 77. Some *schemes* are offered by specific banks. For example:
 - j. Santander are active in this space. According to their own reporting they offer a range of high-level apprenticeships, paid internships and work-experience, partner with 85 universities to provide support to widening participation students through scholarships, , and offer over 2,500 paid internships into small to medium sized businesses as part of the Santander Universities part-funded internship scheme. They also offer educational WorkWise workshops designed to help young people develop their employability skills^{li}.

 - k. *Credit Suisse, 'Steps to Success.'* 'a social mobility programme for outstanding A-Level students in the UK who are from an underrepresented and/or underprivileged background, looking to explore a career in investment banking. You'll participate in a four-week and six-week summer internship in London. These will take place after year 13 and your first year at university respectively.^{liii}'

 - l. *Deutsche Bank, 'I Have A Dream.'* Offers three-week paid placement with the Bank during the summer for students from under-represented backgrounds^{liiii}.

 - m. In the retail banking sector, Lloyds Banking Group run the Scholars programme, where they partner with leading universities across the UK, to offer students from lower income households a package of financial

support, a paid internship, a business mentor and the opportunity to develop their employability skills, boosting future career prospects^{liv}.

78. These initiatives do suggest a range of activity in the sector and thus awareness of social mobility as an issue, although the financial services sector may be a little behind peer group occupations, for example, in law and accountancy.
79. The Social Mobility Employer Index ranks the UK's employers on the actions they are taking to ensure they are open to accessing and progressing talent from all backgrounds, and highlights the employers doing the most to change the way that they find, *recruit and progress talented employees from different social class backgrounds. In 2019, amongst the highest ranking organisations in the finance sector were JP Morgan and Aviva, which were ranked in the top 10. Santander was ranked at 20, and other organisations ranked included The Financial Conduct Authority (FCA) at 23, Barclays at 75, Legal and General at 67 and M&GPrudential at 68. This is encouraging although other sectors tend to be better represented in the Index overall suggesting that the financial services sector has been somewhat slower to respond overall.*
80. Compared with financial services, some peer group sectors have collaborated to work on socio-economic diversity together, with one example being Prime in the law and Access Accountancy in the accountancy profession. There is no equivalent body many other parts of the financial services sector although in the investment and savings sector The Diversity Project has been set up to promote diversity^{liv}.
81. There is then a range of activity and good evidence that the financial services sector as a whole has a growing awareness of the importance of socio-economic diversity. It is not clear to what extent concern for socio-economic diversity goes beyond widening access, to examine the relationship with career progression.
82. An important feature of social mobility programmes is also the extent to which they deliver improved outcomes to participants compared to if have had not taken part in the programme at all and/or compared to peers who did not benefit from the same interventions.
83. Evaluations of this nature are difficult to conduct including because it is challenging to put together an appropriate control group. Some programmes do report on outcomes nevertheless. To provide just two examples (bearing in mind that others exist):
84. The Social Mobility Foundation commissioned the Institute for Fiscal Studies (IFS) to examine the SMF's impact on the university destinations of young people on its

programmes. It found that the impact of its programme on participants, who are high achievers from disadvantaged backgrounds, 'is large: amongst those who go to university, it increases the likelihood of attending a Russell Group institution by between 17% and 27% compared to those with similar attainment from similar backgrounds who do not participate in the SMF programme.lvi'

85. Rare Recruitment reports for example that 61% more disadvantaged candidates are hired when organisations adopt their contextual recruitment systemlvii.
86. However, for many other programmes, outcomes and evaluation are relatively opaque. This matters for several reasons, one of which is ethical, including that it is important to ensure that programmes focused on outreach and work experience do not raise false expectations amongst the participants, especially if mainstream recruitment and selection techniques are exclusive.
87. An additional issue is *the* extent to which organisations in the financial services sector continue to focus on supply rather than demand. In terms of organisational social mobility programmes more widely, there has been an important transition over the past five years, as organisations have moved their focus from the supply side to demand. In other words, early initiatives tended to focus on outreach, in order to encourage individuals from under-represented backgrounds to apply to the sector, and to provide them with the skills and information necessary to succeed.
88. These programmes are practical and pragmatic but can be located in a deficit model of diversity, where the emphasis is on fixing the individual, rather than focusing on the cultures and structures that exclude.
89. More recently, organisations engaged in this agenda have turned their attention to the demand side, to examine their recruitment and selection systems, to understand where these construct barriers to entry and making necessary adjustments. As a result, organisations have for example introduced blind recruitment procedures, have started to use contextual recruitment systems, where the candidate's academic performance is assessed in relation to the performance of their school, and sometimes against other measures of disadvantage.
90. This development is encouraging although, again, it is not currently clear how widespread such practices are within the financial services sector and, where they have been employed, what has been the effect.

91. Some social mobility programmes apparently replicate issues in mainstream recruitment and selection techniques to the extent that they expect candidates to have extremely high academic attainment, for example three A's at A-level, which is significantly more challenging for students to achieve if they attend schools characterised by deprivation and limited resources. There is little information currently available which reports, for example, the demographics of applicants to the sector, compared to appointment rates. Transparency around these issues is likely to prove vital not least to help illustrate what does and does not work.

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