



November 2017

FINANCIAL SERVICES INDUSTRY

Trends in Management Representation of Minorities and Women and Diversity Practices, 2007–2015

GAO Highlights

Highlights of [GAO-18-64](#), a report to congressional requesters

Why GAO Did This Study

The U.S. workforce force has become increasingly diverse and is projected to become even more diverse in the coming decades. As a result, many private sector organizations have recognized the importance of recruiting and retaining minorities and women for key positions to improve their business or organizational performance and help them better meet the needs of a diverse customer base. The financial services industry is a major source of employment in the United States and affects the economic well-being of its customers. However, questions remain about diversity in the financial services industry, which provides services that help families build wealth and are essential to economic growth.

GAO was asked to analyze diversity trends in the financial services industry, particularly in management positions. This report examines (1) trends in management-level diversity in the financial services industry from 2007 through 2015, (2) trends in diversity among potential talent pools, and (3) challenges financial services firms identified in trying to increase workforce diversity and practices firms used to address them.

GAO analyzed data from the Equal Employment Opportunity Commission (EEOC) and the Department of Education. The most recent available data were from 2015. GAO also reviewed studies on workforce diversity and interviewed representatives from financial services firms and organizations that advocate for the financial services industry, women, or minorities. EEOC provided technical comments on a draft of this report that GAO incorporated as appropriate.

View [GAO-18-64](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or GarciaDiazD@gao.gov.

November 2017

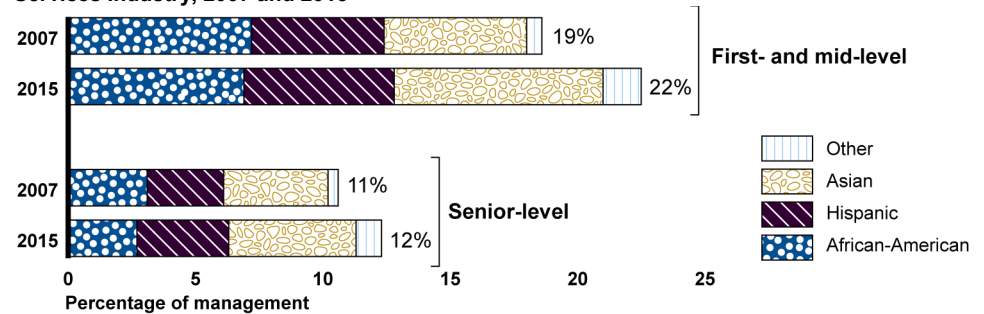
FINANCIAL SERVICES INDUSTRY

Trends in Management Representation of Minorities and Women and Diversity Practices, 2007–2015

What GAO Found

Overall representation of minorities in first-, mid-, and senior-level management positions in the financial services industry increased from about 17 percent to 21 percent from 2007 through 2015. However, as shown in the figure below representation varied by race/ethnicity group and management level. Specifically, representation of African-Americans at various management levels decreased while representation of other minorities increased during this period. Overall representation of women was generally unchanged during this period. Representation of women among first- and mid-level managers remained around 48 percent and senior-level managers remained about 29 percent from 2007 through 2015.

Representation of Specific Races/Ethnicities in Various Management Levels in the Financial Services Industry, 2007 and 2015



Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Note: The “Other” category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native, and “two or more races.”

Potential employees for the financial services industry, including those that could become managers, come from external and internal pools. For example, the external pool includes those with undergraduate or graduate degrees, such as a Master of Business Administration. In 2015, about 33 percent of the external pool included minorities and around 60 percent were women. The internal talent pool for potential managers in financial services includes those already in professional positions. In 2015, nearly 28 percent of professional positions in financial services were held by minorities and just over 51 percent were held by women.

Research, financial services firm representatives, and financial industry stakeholders described challenges to recruiting and retaining members of racial/ethnic minority groups and women and practices that could help address these challenges, including recruiting from a wider variety of schools. Firm representatives said that it is important for firms to assess firm-level data on diversity and inclusiveness. However, firm representatives and other stakeholders differed in their views on whether firm-level diversity data should be made public. For example, one stakeholder stated that sharing diversity data publicly would create incentives for improvement. However, a firm representative said that for firms that are not diverse, making employee diversity data public could make improvement of workforce diversity more difficult for them.

Contents

Letter		1
	Background	4
	Management-Level Diversity Trends Showed Marginal or No Increase from 2007 through 2015	9
	Potential Talent Pools for Financial Services Positions, Including Management, Are Diverse	26
	Industry and Other Sources Describe Ongoing Workforce Diversity Challenges and Practices to Address Them	31
	Agency Comments	41
Appendix I	Objectives, Scope, and Methodology	43
Appendix II	Additional Analysis of Diversity Trends in the Financial Services Industry	48
Appendix III	Diversity in the Financial Services Industry by State, 2015	51
Appendix IV	Diversity Trends in Degrees Earned and Nonmanagement Job Categories	53
Appendix V	GAO Contact and Staff Acknowledgments	58
Tables		
	Table 1: Representation of Women and Men Managers and Minority and White Managers in Overall Management Positions in the Financial Services Industry by State, 2015	51
	Table 2: Percentages of Degrees Earned by Men and Women by Racial/Ethnic Group, School Years Ending 2011–2015	54
	Table 3: Representation of African-American Women and Men in Professional and Sales Job Categories in the Financial Services Industry, 2007–2015	55

Table 4: Representation of Asian Women and Men in Professional and Sales Job Categories in the Financial Services Industry, 2007–2015	55
Table 5: Representation of Hispanic Women and Men in Professional and Sales Job Categories in the Financial Services Industry, 2007–2015	56
Table 6: Representation of Other Women and Men in Professional and Sales Job Categories in the Financial Services Industry, 2007–2015	56
Table 7: Representation of White Women and Men in Professional and Sales Job Categories in the Financial Services Industry, 2007–2015	57

Figures

Figure 1: Representation of Specific Races/Ethnicities in Overall Management Positions in the Financial Services Industry, 2007–2015	10
Figure 2: Representation of Minorities in First- and Mid-Level Management and Senior-Level Management Positions in the Financial Services Industry, 2007–2015	11
Figure 3: Representation of Specific Races/Ethnicities at Various Management Levels in the Financial Services Industry, 2007–2015	12
Figure 4: Representation of Minority and White Women and Men in Overall Management Positions in the Financial Services Industry, 2007–2015	14
Figure 5: Representation of Minority Women and Men in Overall Management by Race/Ethnicity in the Financial Services Industry, 2007–2015	15
Figure 6: Representation of Minority and White Women and Men in Management Positions in the Financial Services Industry by Management Level, 2007–2015	16
Figure 7: Representation of Minorities in Management Positions in the Financial Services Industry by Sector, 2007–2015	18
Figure 8: Representation of Women in Management Positions in the Financial Services Industry by Sector, 2007–2015	19
Figure 9: Representation of Specific Races/Ethnicities in Overall Management Positions in the Financial Services Industry, by Sector, 2007–2015	20

Figure 10: Representation of Minorities in Management Positions at Financial Services Firms of Different Sizes, 2007 and 2015	22
Figure 11: Representation of Women in Management Positions at Financial Services Firms of Different Sizes, 2007 and 2015	23
Figure 12: Representation of Minorities in Various Management Positions in Financial Services, Professional Services, and the Overall Private Sector, 2007–2015	24
Figure 13: Representation of Women in Various Management Positions in Financial Services, Professional Services, and the Overall Private Sector, 2007–2015	25
Figure 14: Percentages of Undergraduate and Graduate Degrees Earned by Minorities, 2011–2015	27
Figure 15: Percentages of Undergraduate and Graduate Degrees Earned by Minority Women and Minority Men, 2011–2015	28
Figure 16: Percentages of Undergraduate and Graduate Degrees Earned by Women, 2011–2015	29
Figure 17: Percentages of Minorities in the Financial Services Industry in Professional, Sales, and Management Positions, 2007–2015	30
Figure 18: Percentages of Women in the Financial Services Industry in Professional, Sales and Management Positions, 2007–2015	31
Figure 19: Representation of Women of Specific Races/Ethnicities at Various Management Levels in the Financial Services Industry, 2007–2015	48
Figure 20: Representation of Men of Specific Races/Ethnicities at Various Management Levels in the Financial Services Industry, 2007–2015	49
Figure 21: Representation of Specific Racial/Ethnic Groups in Management Positions at Financial Services Firms of Different Sizes, 2007–2015	50

Abbreviations

EEO-1	Employer Information Report
EEOC	Equal Employment Opportunity Commission
IPEDS	Integrated Postsecondary Education Data System
MBA	Master of Business Administration
NAICS	North American Industry Classification System
OMB	Office of Management and Budget

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



November 8, 2017

Congressional Requesters

Total U.S. employment is projected to reach 160.3 million in 2024 and from 2014 through 2024—an increase of almost 9.8 million jobs is expected.¹ The population of people working or looking for work has become increasingly diverse, and is projected to be even more diverse in the coming decades. Also, racial/ethnic minority groups are projected to have different workforce growth rates due to their divergent rates of population growth. Hispanics and Asians, for example, are projected to make up a rapidly growing proportion of the population that is working or looking for work.² As the makeup of the U.S. workforce continues to change, many private sector organizations have recognized the importance of recruiting and retaining minorities and women for key positions to improve their business or organizational performance and help them better meet the needs of a diverse customer base. Questions remain about diversity in the financial services industry workforce, which provides services that help families build wealth and is essential to the continued economic growth of the country.

In light of the role financial services firms have in serving consumers and growing the economy, you asked us to update our previous work on changes in management-level diversity and diversity practices used in the industry. This report also updates previous work on diversity in the potential external pools of candidates for financial services firms and the potential internal pools of candidates for management positions in financial services firms. Specifically, this report examines (1) trends in management-level diversity in the financial services industry, (2) trends in diversity among potential talent pools, and (3) challenges financial services firms identified in trying to increase workforce diversity and practices they have used to increase workforce diversity.

¹Bureau of Labor Statistics, “Industry Employment and Output Projections to 2024,” *Monthly Labor Review* (Washington, D.C.: December 2015). Total employment is the sum of the employment level of nonagricultural wage and salary workers; agriculture, forestry, fishing, and hunting workers; and self-employed workers.

²Bureau of Labor Statistics, “Labor Force Projections to 2024: The Labor Force is Growing, but Slowly,” *Monthly Labor Review* (Washington, D.C.: December 2015).

To describe trends in management-level diversity in the financial services industry, we analyzed 2007–2015 workforce data from the Equal Employment Opportunity Commission’s (EEOC) Employer Information Report (EEO-1).³ Data for 2015 were the most current data available at the time of our review. EEO-1 data were obtained for each job category in the finance and insurance industry by gender, race/ethnicity, firm size, and industry sectors. Management job categories include two groupings, (1) senior-level managers and (2) first- and mid-level managers. We use the term “overall management” to refer to both first- and mid-level managers and senior-level managers. We compared diversity trends in the financial services industry to diversity trends in the overall private sector (excluding financial services). We also compared the trends identified in our analysis to 1993–2006 workforce diversity trends described in prior GAO reports.⁴ Through electronic testing, a review of documentation, and interviews with knowledgeable officials, we found EEO-1 data sufficiently reliable for our description of trends in workforce diversity.

To describe recent trends in diversity among potential external pools of workforce candidates for the financial services industry, we interviewed representatives from three financial services firms about the preferred educational requirements needed to enter the field. We then analyzed the race/ethnicity and gender characteristics of individuals receiving bachelor’s degrees, masters degrees (all subjects), and Master of Business Administration (MBA) degrees for the school years ending 2011 through 2015. Data for 2015 were the most current data available at the time of our review. We analyzed educational attainment data available from the Department of Education’s Integrated Postsecondary Education Data System (IPEDS). Through a review of documentation and electronic testing, we found the IPEDS data to be sufficiently reliable for our use in describing trends in educational attainment. To describe recent trends in diversity among potential internal talent pools for management positions,

³EEOC compiles EEO-1 data from the reports it collects annually from private employers with 100 or more employees or federal contractors with 50 or more employees who meet certain other requirements. Similar to our methodology for the 2013 report, we obtained data from EEOC for private employers with 100 or more employees. Consequently, the analysis included in this report may not match the analysis found on EEOC’s website, which also includes federal contractors with 50 or more employees.

⁴GAO, *Financial Services Industry: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993-2004*, [GAO-06-617](#) (Washington, D.C.: June 1, 2006) and *Financial Services Industry: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993-2008*, [GAO-10-736T](#) (Washington, D.C.: May 12, 2010).

we first identified the nonmanagement positions that were most likely to feed into management by reviewing an EEOC report on diversity in financial services. We then analyzed EEO-1 data for NAICS code 52 to identify trends in the representation of women and racial/ethnic minorities in relevant nonmanagement positions from 2007 through 2015.

To identify challenges financial services firms face in trying to increase workforce diversity as well as practices firms use to improve workforce diversity, we conducted a literature search; interviewed representatives from 13 financial services firms that were actively involved in workforce diversity; interviewed representatives of organizations that advocate for the financial services industry, women or racial/ethnic minorities, or both; and attended a conference on diversity in the financial services sector.⁵ We identified the firms based on their participation at a conference on improving diversity in the financial services industry, their participation in our previous work, and suggestions from organizations that represent the financial services industry. We summarized challenges they identified and compared them to challenges identified in prior GAO work.⁶ To determine how firms assess their diversity policies and practices, we interviewed representatives of financial services firms as well as financial industry trade groups.

We conducted this performance audit from August 2016 to November 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁵Views expressed by these entities cannot be generalized to all financial services firms or organizations that advocate for the financial services industry, women, or racial/ethnic minorities. We used certain qualifiers when collectively describing responses from financial services firms and trade groups, such as “some,” “several,” and “most.” We define some as four, several as at least five but less than most, and most as more than half relative to the total number possible.

⁶[GAO-06-617](#), [GAO-10-736T](#), and GAO, *Diversity Management: Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis*, [GAO-13-238](#) (Washington, D.C.: Apr. 16, 2013).

Background

EEOC Data

EEOC data we obtained and analyzed showed that financial services firms employed more than 3.2 million people in 2015. EEOC requires employers to use the North American Industry Classification System (NAICS) to classify their industry.⁷ Under this system, the financial services industry includes the following five sectors:

- **credit intermediation and related activities (banks and other credit institutions)**, which include depository credit institutions—commercial banks, thrifts (savings and loan associations and savings banks), and credit unions; and nondepository credit institutions, which extend credit in the form of loans and include federally sponsored credit agencies, personal credit institutions, and mortgage bankers and brokers;
- **funds, trusts, and other financial vehicles (funds and trusts)**, which include investment trusts, investment companies, and holding companies;
- **securities, commodity contracts, and other financial investments and related activities (securities and other activities)**, which is composed of a variety of firms and organizations that bring together buyers and sellers of securities and commodities, manage investments, and offer financial advice;
- **insurance carriers and related activities (insurance)**, which include carriers and insurance agents that provide protection against financial risks to policyholders in exchange for the payment of premiums; and
- **monetary authorities, which include central banks.**

EEOC requires private employers subject to Title VII of the Civil Rights Act of 1964 with 100 or more employees and all federal contractors who have 50 or more employees and meet certain other requirements to annually submit data on the racial/ethnic and gender characteristics of employees by various occupations for a broad range of industries,

⁷NAICS is the standard used by federal statistical agencies to classify business establishments for the purpose of collecting, analyzing, and publishing statistical data on the U.S. business economy.

including financial services.⁸ Employers are required to submit these data to EEOC by submitting an EEO-1 report. In addition to providing EEOC with data on the demographic characteristics of employees as of a specific point in time, employers must also report the number of employees working at headquarters and any additional offices, the primary industry type of the organization, and the numbers of employees in two different categories of management positions.

Beginning in 2007, EEOC changed its requirements on the reporting of data on managers. More specifically, employers were required to report data for senior-level management positions rather than combining data on senior-level managers with data for first- and mid-level management positions as had been the practice prior to 2007. Since 2007, employers are to review EEOC guidance describing the two management positions and determine how their firm's job positions fit into these classifications. Senior-level managers include, for example, chief executive officers, chief financial officers, and managing partners. The first- and mid-level management category includes (1) middle managers that report to senior managers and typically lead major business units and (2) managers who report to middle managers and oversee day-to-day operations, such as team or branch managers.

Additionally, EEOC changed its practices for collecting certain racial/ethnicity information. The EEO-1 form was changed in 2007 to divide "Asian or Pacific Islander" into two separate categories, "Asian" and "Native Hawaiian or other Pacific Islander." Also, EEOC adopted a two-question format for collecting ethnicity data. Under this format, employers should first ask employees their Hispanic or Latino status, and then ask those employees who do not identify as Hispanic or Latino for their race.

⁸State and local governments, primary and secondary school systems, institutions of higher education, Indian tribes, and tax-exempt private membership clubs other than labor organizations are exempt from EEO-1 filing requirements. A private employer who has fewer than 100 employees is required to file if it is subject to Title VII and is owned or affiliated with another company, or there is centralized ownership, control, or management such that the group legally constitutes a single enterprise, and the entire enterprise employs a total of 100 or more employees. Federal contractors are required to file if they have 50 or more employees and (1) are prime contractors or first-tier subcontractors, and have a contract, subcontract, or purchase order amounting to \$50,000 or more, (2) serve as a depository of government funds in any amount, or (3) are a financial institution which is an issuing and paying agent for U.S. Savings Bonds and Notes. Federal contractors explicitly exempt under 41 C.F.R. § 60-1.5 are not required to file. Only establishments located in the District of Columbia and the 50 states are required to file.

EEOC proposed revisions to the EEO-1 form in 2016, which would have required employers with 100 or more employees to report summary pay data in their EEO-1 report.⁹ The Office of Management and Budget (OMB) approved the revision in September 2016. In August 2017, OMB issued a memorandum suspending the pay-related data collection aspects of the EEO-1 form. According to the memorandum, since approving the revised EEO-1 form, the relevant circumstances related to the data collection had changed and the burden estimates provided by EEOC in the original filing were materially in error. As a result, the previously approved EEO-1 form without the pay-related data requirements will remain in effect.

Financial Services Industry and Diversity Practices

We previously reported on the challenges faced by the financial services industry in promoting and retaining a diverse workforce.¹⁰ In 2010, we reported that diversity in management in the financial services industry did not change substantially from 1993 through 2008 and that diversity in senior positions was limited. We also found that without a sustained commitment among financial services firms to overcoming challenges to recruiting and retaining minority candidates, limited progress would be possible in fostering a more diverse workplace. Subsequently, in 2013, we found that following the 2007–2009 financial crisis, diversity in management in the financial services industry did not change substantially from 2007 through 2011 and that diversity in senior positions remained limited. We also found that women generally represented 45 percent of management-level positions each year, from 2007 through 2011. Additionally, our 2013 report noted that practices that can support diversity include sponsorships (where an executive acts as a guide to help an employee navigate the organization) and efforts to address unconscious bias in promotions.

⁹Agency Information Collection Activities: Revision of the Employer Information Report (EEO-1) and Comment Request, 81 Fed. Reg. 5113 (Feb. 1, 2016). Only federal contractors that have 100 or more employees would have been required to file the new pay data. *Id.*

¹⁰See GAO, *Financial Services Industry: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993-2004*, [GAO-06-617](#) (Washington, D.C.: June 1, 2006); *Financial Services Industry: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993-2008*, [GAO-10-736T](#) (Washington, D.C.: May 12, 2010); and [GAO-13-238](#).

In a January 2005 report, we defined diversity management as a process intended to create and maintain a positive work environment that values individuals' similarities and differences, so that all can reach their potential and maximize their contributions to an organization's strategic goals and objectives.¹¹ We also identified a set of nine leading diversity management practices that should be considered when an organization is developing and implementing diversity management. They are (1) commitment to diversity as demonstrated and communicated by an organization's top leadership; (2) the inclusion of diversity management in an organization's strategic plan; (3) diversity linked to performance, making the case that a more diverse and inclusive work environment could help improve productivity and individual and organizational performance; (4) measurement of the impact of various aspects of a diversity program; (5) management accountability for the progress of diversity initiatives; (6) succession planning; (7) recruitment; (8) employee involvement in an organization's diversity management; and (9) training for management and staff about diversity management. In 2013, we reported that industry representatives confirmed that these nine practices are still relevant.¹²

Since our 2005 report, researchers and the federal government have recognized that a focus on inclusion in the workplace is an important component of creating and sustaining a diverse workforce. For example, the Office of Personnel Management notes that optimal performance is based on both diversity and inclusion, which it defines as a set of behaviors (culture) that encourages employees to feel valued for their unique qualities and experience a sense of belonging.

Research on Potential Benefits of Workforce Diversity

Research discusses a number of reasons why workforce diversity may be beneficial to businesses.¹³ For example, two studies summarized other research that found that diversity can bring new voices and perspectives into conversations about business strategies, such as developing

¹¹GAO, *Diversity Management: Expert-Identified Leading Practices and Agency Examples*, [GAO-05-90](#) (Washington, D.C.: Jan. 14, 2005).

¹²[GAO-13-238](#).

¹³The Office of Personnel Management defines workforce diversity as a collection of individual attributes that together help agencies pursue organizational objectives efficiently and effectively.

opportunities in unserved markets.¹⁴ Also, a diverse workforce can help managers understand and address the needs of a demographically diverse customer base.¹⁵ That is, employees who are demographically similar to customers are likely to have an easier time understanding customer preferences and how they change over time. Additionally, a diverse workforce can stimulate a wider range of creative decisions. Researchers have noted that minority opinions stimulate creativity and divergent thought, and that creativity and innovation are enhanced when a diverse workforce is employed.¹⁶

Research on the effects of workforce diversity on financial performance has been mixed. For example, a 2003 report summarized the results and conclusions reached in four separate studies of the relationships between race and gender diversity and financial performance.¹⁷ The report concluded that race and gender diversity had no direct positive or negative influence on financial performance. A 2011 report that summarized this and other research found that researchers continue to put forth conflicting results regarding the business benefits of workforce diversity.¹⁸ In the authors' opinion, the goals of workforce diversity programs should be broad, and not just focused on the organization's financial performance.

¹⁴Stanley F. Slater, Robert A. Weigand, and Thomas J. Zwirlein, "The Business Case for Commitment to Diversity," *Business Horizons*, vol. 51 (2008) and Vivian Hunt, Dennis Layton, and Sara Prince, "Diversity Matters," *McKinsey & Company* (November 2014).

¹⁵Slater, Weigand, and Zwirlein, "The Business Case."

¹⁶Slater, Weigand, and Zwirlein, "The Business Case" and Christian R. Ostergaard, Bram Timmermans, and Kari Kristinsson, "Does a Different View Create Something New? The Effect of Employee Diversity on Innovation," *Research Policy*, vol. 40 (2011).

¹⁷Thomas Kochan et al., "The Effects of Diversity on Business Performance: Report of the Diversity Research Network," *Human Resource Management*, vol. 42, no. 1 (2003).

¹⁸Maria Riaz Hamdani and M. Ronald Buckley, "Diversity Goals: Reframing the Debate and Enabling Fair Evaluation," *Business Horizons*, vol. 54 (2011).

Management-Level Diversity Trends Showed Marginal or No Increase from 2007 through 2015

Representation of minorities at the overall management level increased by 3.7 percentage points from 2007 through 2015 and their representation among senior-level managers increased by 1.7 percentage points during this time. Women's representation at the overall management level has remained at about 45 percent from 2007 through 2015. Among the various sectors of the financial services industry, the insurance sector has consistently had the highest proportion of women in management positions while the banks and other credit institutions sector has consistently had the highest proportion of racial/ethnic minorities in management. As the size of financial services firms increase (by number of employees), the representation of minorities in overall management increased and the representation of women in overall management was generally the same. Additionally, management-level diversity in the financial services sector has similarities and differences compared to other sectors.

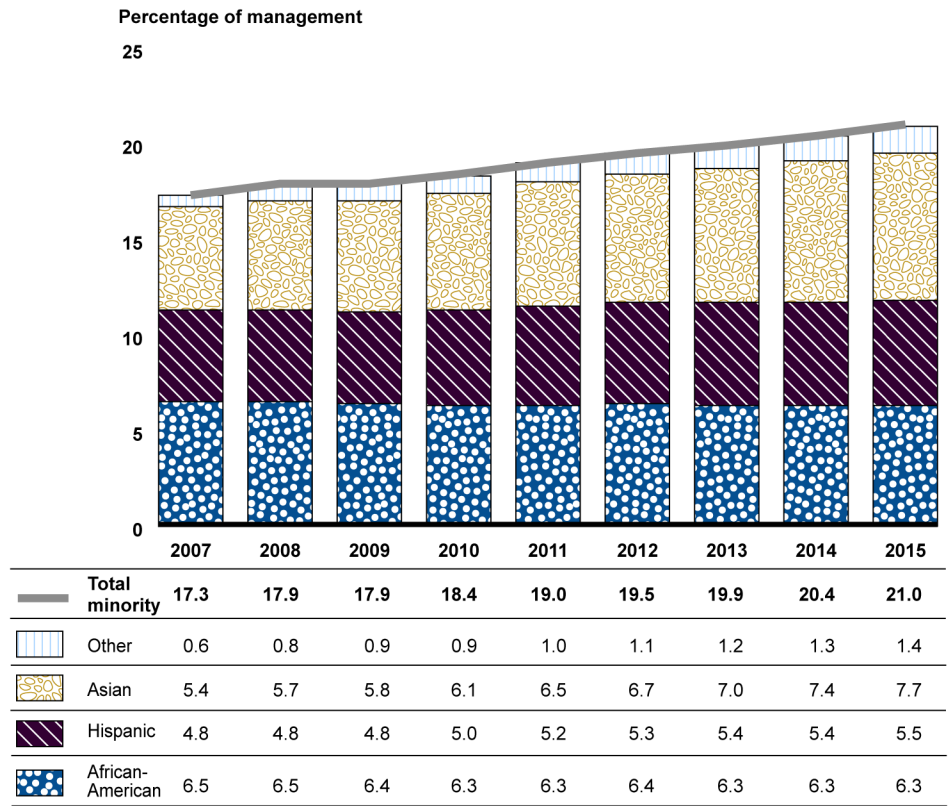
Management-Level Representation of Minorities Increased Marginally since 2007, but Representation Varied by Minority Group

Trends in Overall Management

At the overall management level, minority representation increased in the financial services sector, though representation varied by individual minority groups. More specifically, the representation of minorities in management increased by 3.7 percentage points from 2007 through 2015 according to EEOC data, (see fig. 1). This increase shows a continued upward trend from our 2006 report—the first of a series of reports we have issued on trends in the financial services industry—in which data showed that management-level representation by minorities increased from 11.1 percent to 15.5 percent from 1993 through 2004.¹⁹ Since 2007, Asians had the largest gains, increasing their representation among managers from 5.4 percent to 7.7 percent. Hispanics made smaller gains. In contrast, the proportion of African-Americans in management positions decreased from 6.5 percent to 6.3 percent.

¹⁹[GAO-06-617](#).

Figure 1: Representation of Specific Races/Ethnicities in Overall Management Positions in the Financial Services Industry, 2007–2015



Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Note: The “Other” category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native, and “two or more races.”

Trends in First- and Mid-Level Management and Senior-Level Management

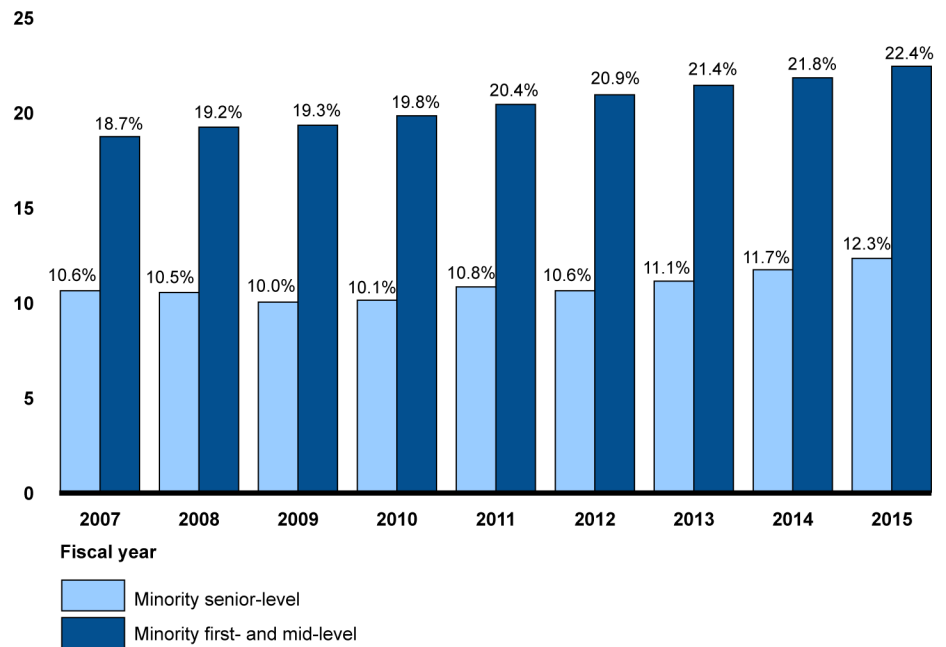
From 2007 through 2015, minorities’ representation among first- and mid-level managers increased by 3.7 percentage points (see fig. 2).²⁰ Minorities’ representation among senior-level managers increased by 1.7 percentage points during this time. As previously noted, EEOC splits management into two categories: (1) first- and mid-level officials and managers and (2) executive and senior-level officials and managers. First- and mid-level management positions may serve as an internal

²⁰The pool of senior-level managers is smaller than the pool of first- and mid-level managers. In 2007, EEOC data for the financial services industry reported over 89,000 senior-level managers and almost 440,000 first- and mid-level managers. In 2015, there were over 81,000 senior-level managers and over 504,000 first- and mid-level managers.

pipeline in an organization through which minority candidates could move into senior-level management positions. In 2015, representation of minorities in first- and mid-level management positions was 22.4 percent compared to 12.3 percent of minorities in senior-level management positions.

Figure 2: Representation of Minorities in First- and Mid-Level Management and Senior-Level Management Positions in the Financial Services Industry, 2007–2015

Percentage of management by level

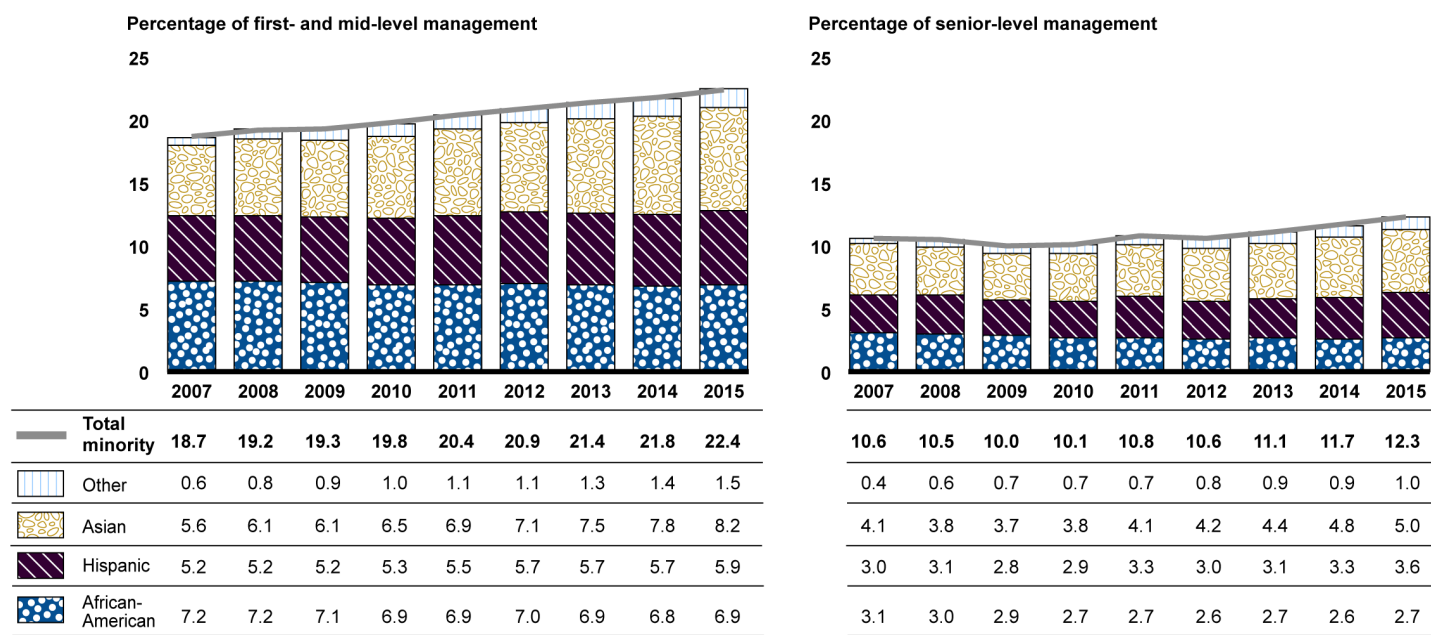


Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Among first- and mid-level managers, the representation of Asians increased by 2.6 percentage points from 2007 through 2015, while representation changed by less than 1 percentage point each for Hispanics and African-Americans (see fig. 3). Among senior-level managers, the representation of each racial/ethnic group changed by less than 1 percentage point during this time. As previously mentioned, racial and ethnic groups' workforce participation is projected to grow at varying rates. For example, from 2014 through 2024 labor force participation is expected to increase by 10.1 percent for African-Americans, 23.2 percent for Asians and 28 percent for Hispanics, according to the Bureau of Labor

Statistics.²¹ In contrast, labor force participation among white persons is expected to increase by 2 percent.

Figure 3: Representation of Specific Races/Ethnicities at Various Management Levels in the Financial Services Industry, 2007–2015



Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Note: The “Other” category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native and “two or more races.”

²¹Bureau of Labor Statistics, “Labor Force Projections to 2024: The Labor Force is Growing, but Slowly,” *Monthly Labor Review* (Washington, D.C.: December 2015).

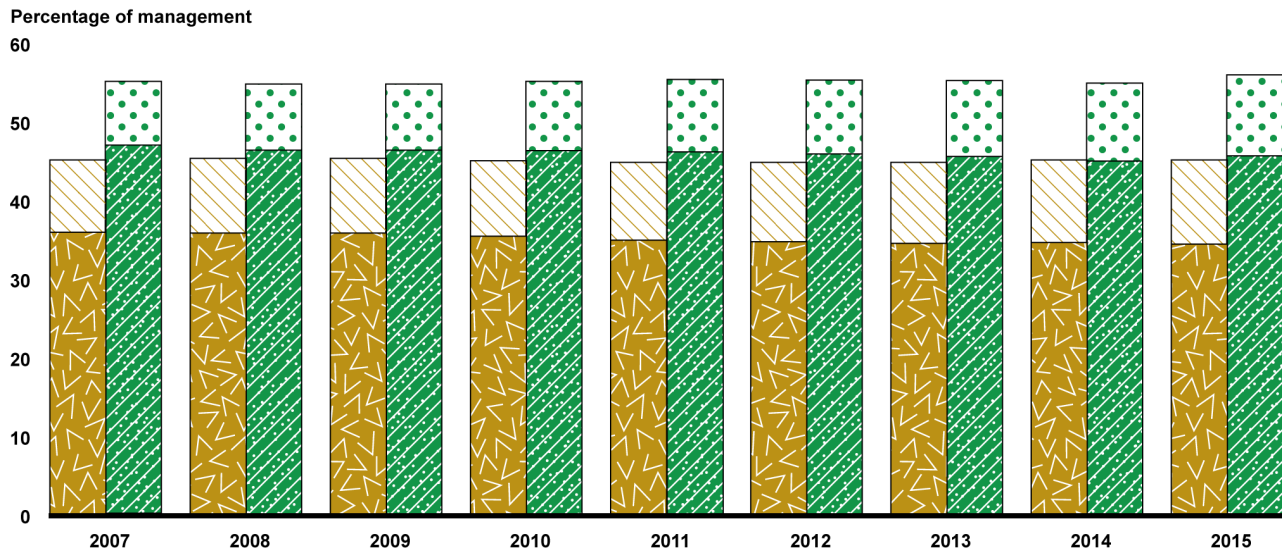
Management-Level Representation of Women and Men Has Been Unchanged since 2007, with Representation of Minority Women and Men Increasing Marginally

Trends in Overall Management

Representation of women and men at the overall management level in the financial services industry has remained unchanged from 2007 through 2015, with women representing about 45 percent of managers and men representing about 55 percent over time. In 2006, we similarly reported that from 1993 through 2004, women represented from about 43 percent to 46 percent of managers.²² The proportion of minority women in overall management increased by 1.5 percentage points from 2007 through 2015 while decreasing by 1.5 percentage points among white women (see fig. 4). During the same time period, representation of minority men in overall management increased by 2.2 percentage points while decreasing by 2.3 percentage points for white men. However, representation of white men remained significantly higher at 44.5 percent in 2015 compared to white women at 34.4 percent, minority women at 10.7 percent, and minority men at 10.3 percent.

²²[GAO-06-617](#).

Figure 4: Representation of Minority and White Women and Men in Overall Management Positions in the Financial Services Industry, 2007–2015



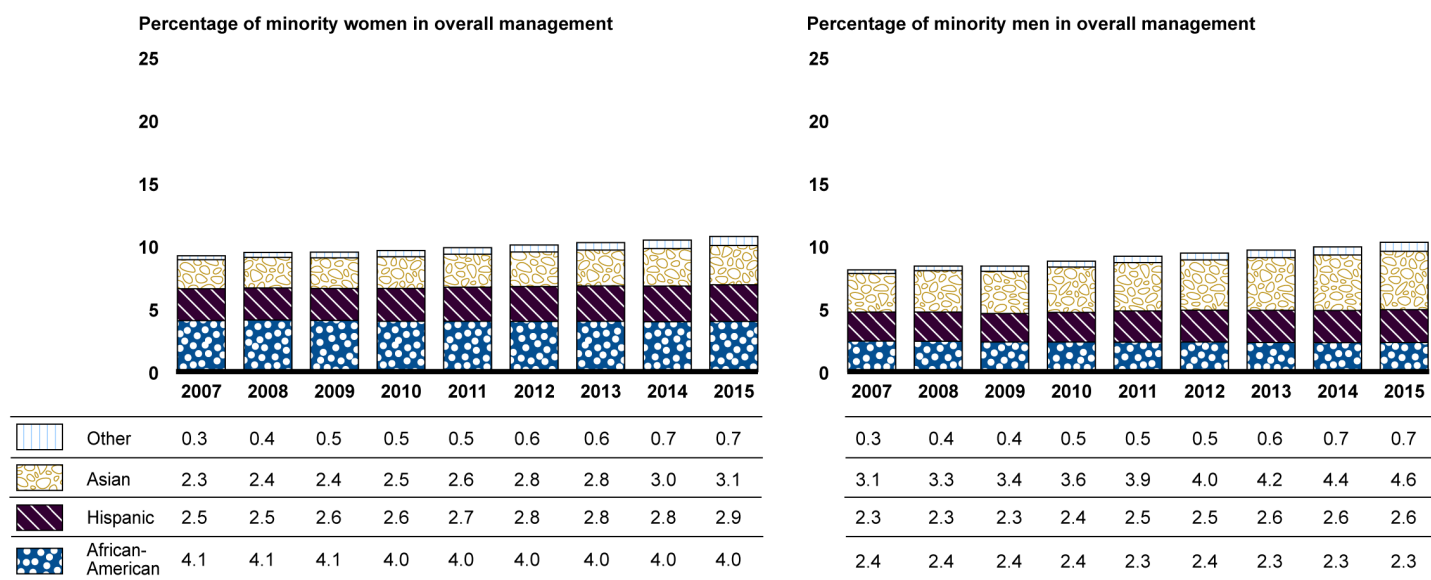
	Minority women	9.2	9.5	9.5	9.6	9.9	10.1	10.3	10.5	10.7
	White women	35.9	35.8	35.8	35.4	34.9	34.7	34.5	34.6	34.4
	Minority men	8.1	8.4	8.4	8.8	9.2	9.4	9.7	9.9	10.3
	White men	46.8	46.3	46.3	46.2	46.1	45.8	45.6	45.0	44.5

Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Representation of specific racial/ethnic groups in the financial services sector from 2007 through 2015 varied by gender (see fig. 5). For example, among minority women, African-American women consistently had the highest representation in management, representing from 4.1 percent to 4.0 percent of managers. Hispanic and Asian women had similar representation in management positions over time. More specifically, Hispanic women represented from 2.5 percent to 2.9 percent of managers and Asian women represented from 2.3 percent to 3.1 percent of managers. In contrast, among minority men, Asian men consistently had the highest representation in management, representing from 3.1 percent to 4.6 percent of all managers from 2007 through 2015. African-American and Hispanic men had similar representation in management positions during this time period. More specifically, African-American men represented from 2.3 percent to 2.4 percent of managers

and Hispanic men represented from 2.3 percent to 2.6 percent of managers.

Figure 5: Representation of Minority Women and Men in Overall Management by Race/Ethnicity in the Financial Services Industry, 2007–2015



Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Note: The “Other” category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native, and “two or more races.”

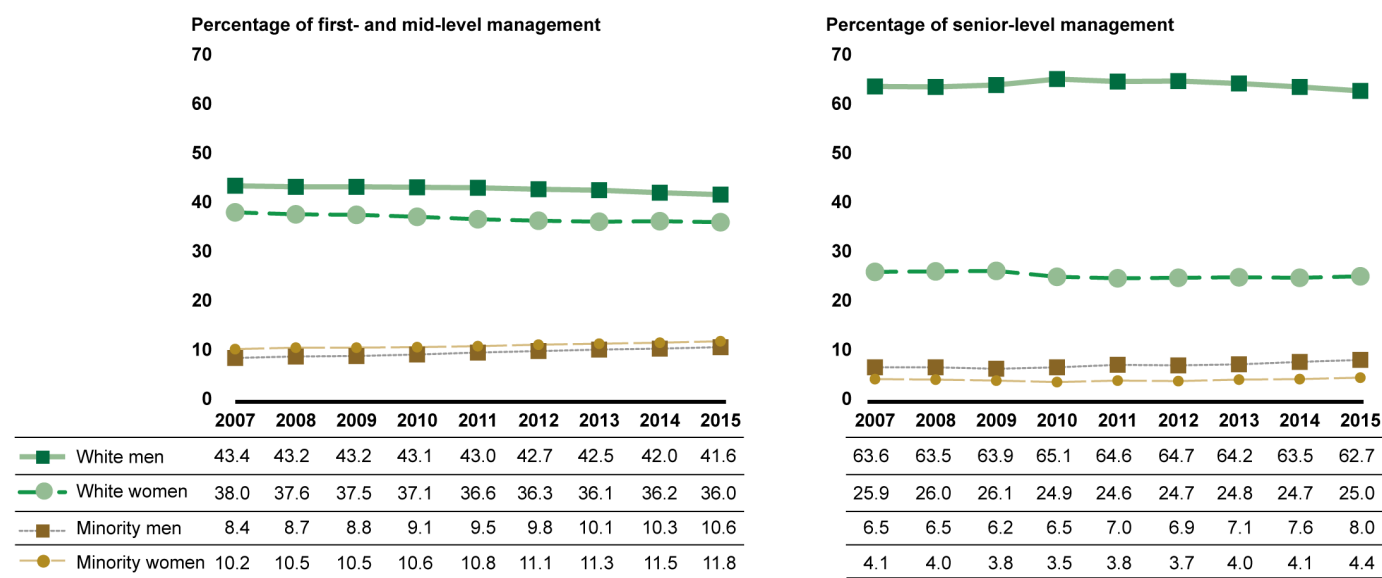
Trends in First- and Mid-Level Management and Senior-Level Management

Representation of women among first- and mid-level managers and senior-level managers was around 48 percent and about 29 percent, respectively, from 2007 through 2015. Among first- and mid-level management positions, the representation of white women decreased by 2 percentage points from 2007 through 2015 (see fig. 6). Also during this time, the representation of white women in senior-level management positions decreased by 0.9 percentage points. For minority women, representation in first- and mid-level management positions increased by 1.6 percentage points and representation in senior-level management positions increased by 0.3 percentage points from 2007 through 2015.

For men, the largest changes over time were in the first- and mid-level management positions. More specifically, from 2007 through 2015, representation of white men in first- and mid-level management decreased by 1.8 percentage points and representation of minority men in first- and mid-level management increased by 2.2 percentage points. Among senior-level managers, representation of white men decreased by

0.9 percentage points and increased by 1.5 percentage points among minority men from 2007 through 2015. For additional information on the representation of minority women and men in each management position by race/ethnicity, see appendix II.

Figure 6: Representation of Minority and White Women and Men in Management Positions in the Financial Services Industry by Management Level, 2007–2015



Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Certain Financial Sectors Are More Diverse Than Others and Representation of Minorities Increased with Firm Size

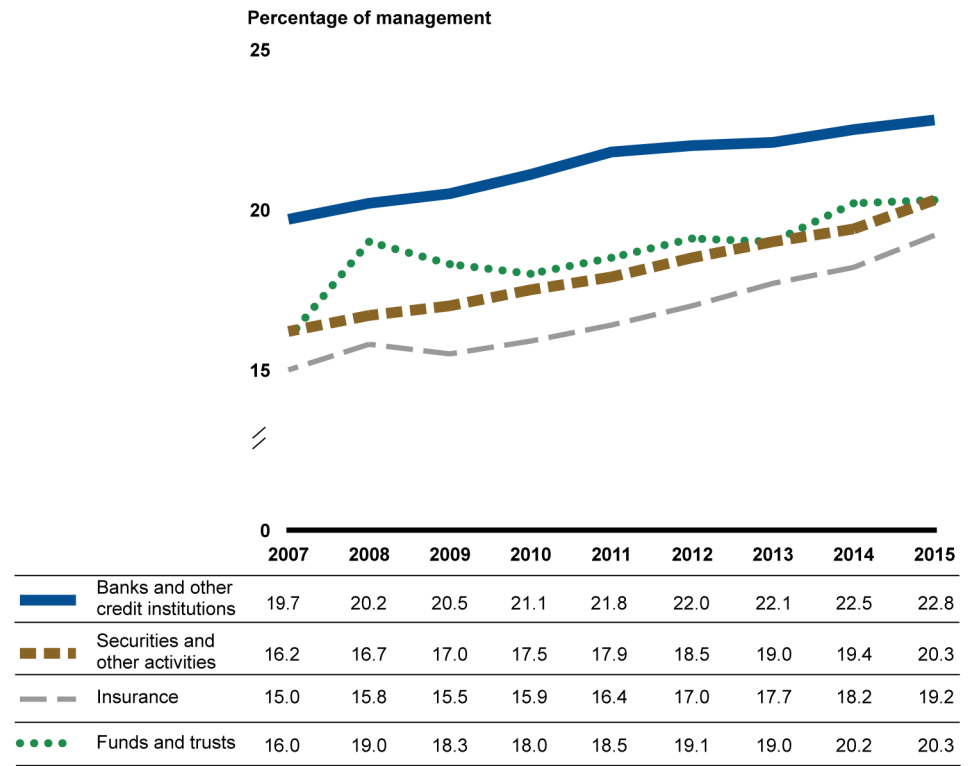
Trends by Financial Sectors

The representation of minorities in overall management positions varied by sector (see fig. 7). EEO-1 data for the financial services industry include the following four sectors: banks and other credit institutions,

funds and trusts, securities and other activities, and insurance.²³ For example, the representation of minorities in overall management positions was consistently the greatest in the banks and other credit institutions sector and lowest in the insurance sector. Minorities' representation in overall management increased in four sectors of the financial services industry from 2007 through 2015. For example, the representation of minorities in the banks and other credit institutions sector increased by 3.1 percentage points and the representation of minorities in the insurance sector increased by 4.2 percentage points.

²³We did not include the monetary authorities sector in this analysis. In the United States, the monetary authorities sector includes the Federal Reserve Banks of the Federal Reserve System. While the Board of Governors of the Federal Reserve System is an independent federal agency, the Federal Reserve Banks are federally chartered corporations. We have previously reported on diversity trends in the Federal Reserve System. See [GAO-13-238](#) and *Federal Reserve Bank Governance: Opportunities Exist to Broaden Director Recruitment Efforts and Increase Transparency*, [GAO-12-18](#) (Washington, D.C.: Oct. 19, 2011).

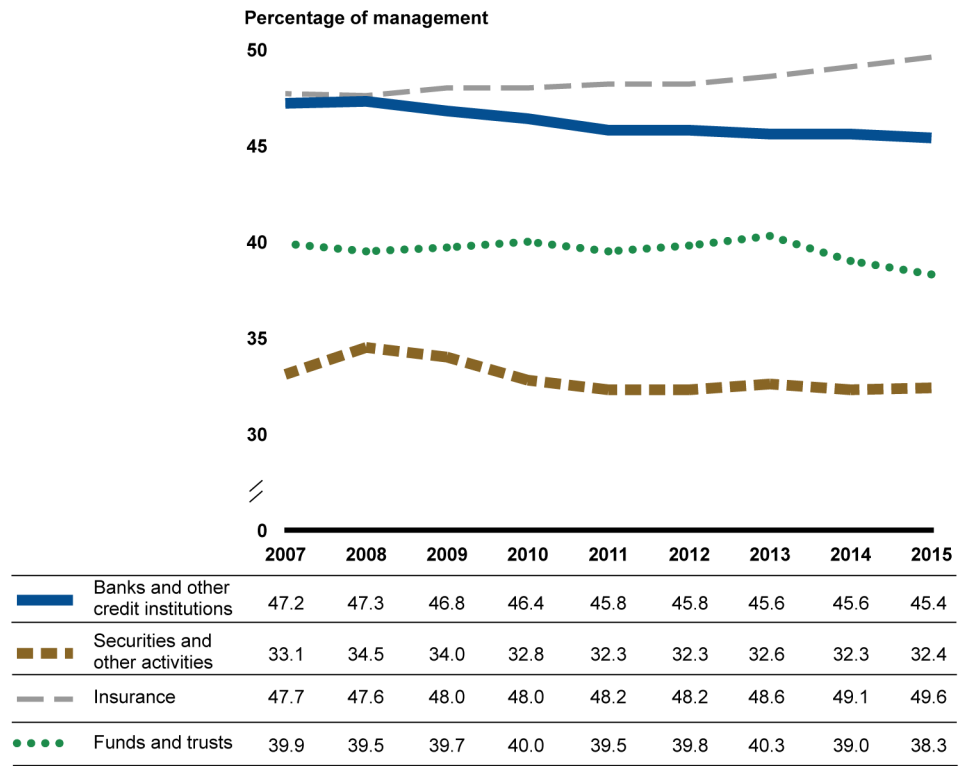
Figure 7: Representation of Minorities in Management Positions in the Financial Services Industry by Sector, 2007–2015



Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

The representation of women in overall management also varied by sector. As shown in figure 8, the insurance sector consistently had the highest proportion of women in management positions, followed by banks and other credit institutions, funds and trusts, and securities and other activities. From 2007 through 2015, the proportion of women in management positions decreased in each sector except for the insurance sector where it increased by 1.9 percentage points.

Figure 8: Representation of Women in Management Positions in the Financial Services Industry by Sector, 2007–2015



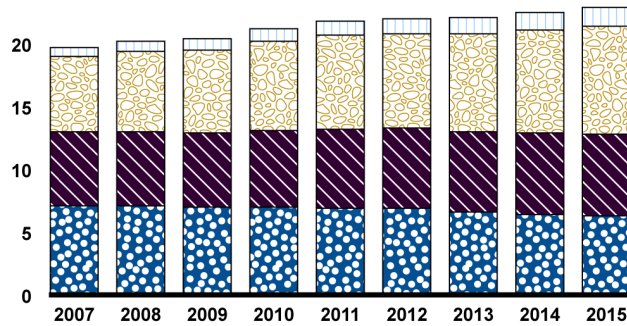
Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

The proportions of Hispanics, Asians, and Other in overall management increased from 2007 through 2015 in each of the four financial sectors we reviewed, and decreased for African-Americans in all but the insurance sector (see fig. 9). Among racial/ethnic groups, Asians generally experienced the greatest increases in management-level representation. For example, from 2007 through 2015, management-level representation of Asians in the securities and other activities sector increased by 3.5 percentage points while it increased by 0.8 percentage points for Hispanics, increased by 0.6 percentage points for Other, and decreased by 0.8 percentage points for African-Americans. However, in the insurance sector, African-Americans had the highest percentage representation compared to other minority groups and increased from 6.7 percent in 2007 to 7.2 percent in 2015.

Figure 9: Representation of Specific Races/Ethnicities in Overall Management Positions in the Financial Services Industry, by Sector, 2007–2015

Banks and other credit institutions

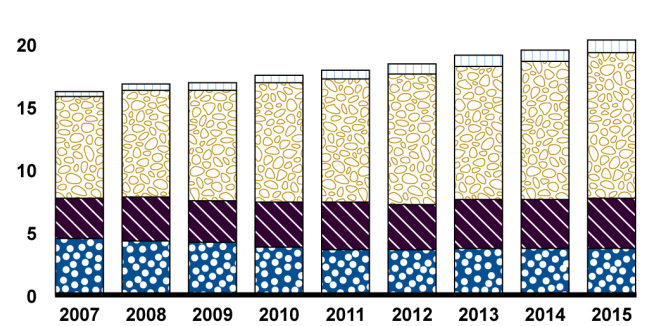
Percentage of management
25



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.4	1.5
Asian	6.0	6.4	6.6	7.1	7.5	7.5	7.8	8.2	8.6
Hispanic	5.9	5.9	5.9	6.1	6.3	6.4	6.4	6.5	6.5
African-American	7.1	7.1	7.0	7.0	6.9	6.9	6.6	6.4	6.3

Securities and other activities

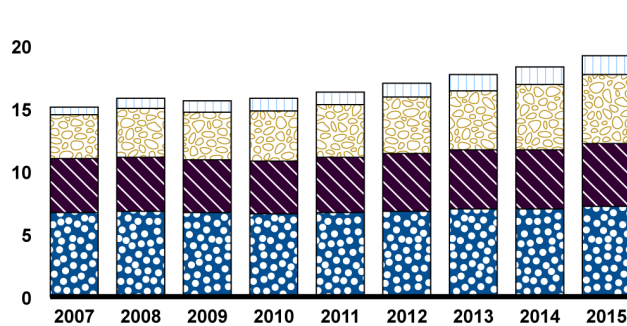
Percentage of management
25



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other	0.4	0.5	0.6	0.6	0.7	0.8	0.9	0.9	1.0
Asian	8.1	8.5	8.8	9.5	9.8	10.4	10.6	11.0	11.6
Hispanic	3.2	3.5	3.3	3.6	3.8	3.6	3.9	3.9	4.0
African-American	4.5	4.3	4.2	3.8	3.6	3.6	3.7	3.7	3.7

Insurance

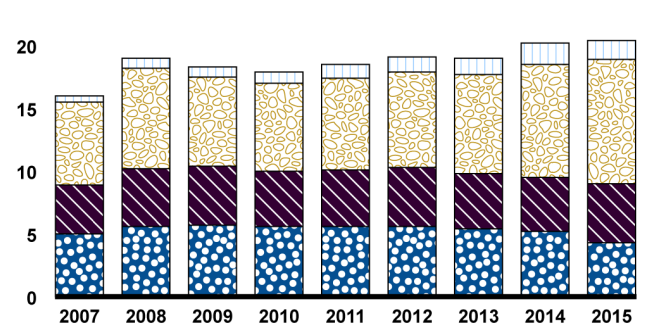
Percentage of management
25



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other	0.6	0.8	0.9	1.0	1.0	1.1	1.3	1.4	1.5
Asian	3.5	3.9	3.8	4.0	4.2	4.5	4.7	5.2	5.5
Hispanic	4.3	4.3	4.2	4.2	4.4	4.6	4.7	4.7	5.0
African-American	6.7	6.8	6.7	6.6	6.7	6.8	7.0	7.0	7.2

Funds and trusts

Percentage of management
25



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other	0.5	0.8	0.8	0.9	1.1	1.2	1.3	1.7	1.5
Asian	6.6	8.0	7.1	7.0	7.3	7.6	7.9	9.0	9.9
Hispanic	3.9	4.6	4.7	4.4	4.5	4.7	4.4	4.3	4.7
African-American	5.0	5.6	5.7	5.6	5.6	5.6	5.4	5.2	4.3

Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Note: The “Other” category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native, and “two or more races.”

Trends by Firm Size

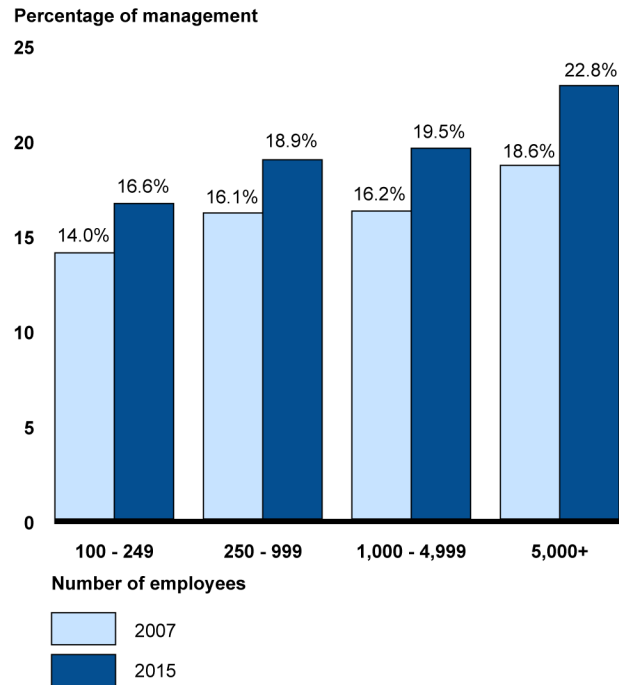
The representation of minorities in overall management increased as firm size (by number of employees) increased (see fig. 10).²⁴ In 2007, the representation of minorities in management was nearly 5 percentage points greater in firms with 5,000 or more employees compared to firms with 100–249 employees. In 2015, by comparison, the representation of minorities in overall management was about 6 percentage points greater in the largest category of firms (5,000 or more employees) compared to the smallest (100–249 employees). Research suggests that larger organizations may have greater capacity to address workforce diversity.²⁵ Researchers also note that large organizations tend to make greater efforts to prevent workplace discrimination against women and racial/ethnic minorities because they have direct legal obligations.²⁶ Additional information on representation of specific racial/ethnic groups in management positions across firm size can be found in appendix II.

²⁴According to EEOC, in 2015, there were approximately 52,000 managers in financial service firms with less than 250 employees; 78,000 managers in firms with 250–999 employees; 122,000 managers in firms with 1,000–4,999 employees; and 333,000 managers in firms with 5,000 or more employees. Additionally, there were 1,872 financial services firms with 100–249 employees; 1,204 firms with 250–999 employees; 369 firms with 1,000–4,999 employees, and 119 firms with 5,000 or more employees.

²⁵Cedric Herring, “Does Diversity Pay?: Race, Gender, and the Business Case for Diversity,” *American Sociological Review*, vol. 74, no. 2 (2009).

²⁶*Ibid.* Title VII of the Civil Rights Act of 1964 bans sex and race discrimination in employment for most firms with 15 or more workers. See 42 U.S.C. § 2000e-2; *id.* at § 2000e(b). Moreover, certain larger firms, such as those which have at least 50 employees and that do at least \$50,000 worth of business with the federal government, must develop appropriate affirmative action programs. See 41 C.F.R. § 60-2.1.

Figure 10: Representation of Minorities in Management Positions at Financial Services Firms of Different Sizes, 2007 and 2015

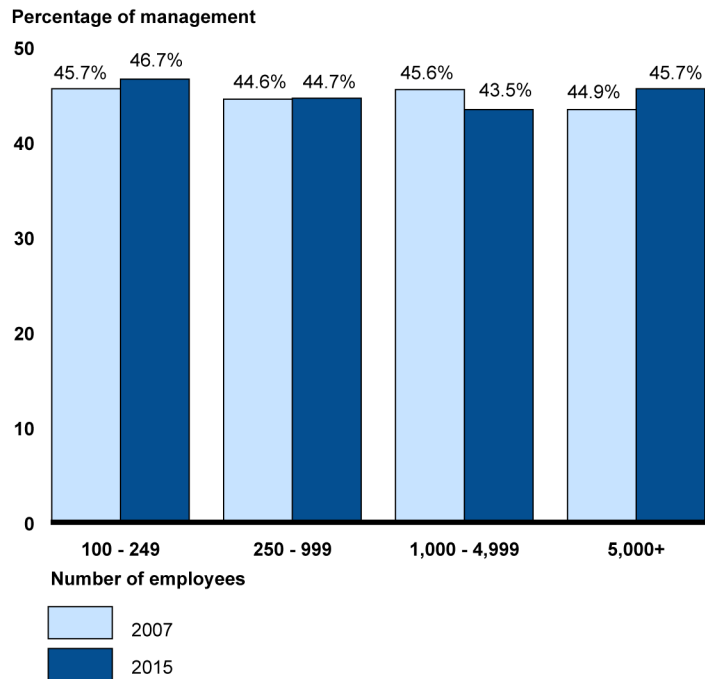


Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

As shown in figure 11, the representation of women in management positions was generally the same across firm size in 2007 and 2015. For example, in 2007 women represented from nearly 45 percent to nearly 46 percent of the managers in financial services firms of varying sizes. Similarly, in 2015 women represented from nearly 44 percent to almost 47 percent of the managers in financial services firms of varying sizes.²⁷

²⁷We did not conduct geographic analysis of diversity trends, but provide information on the representation of minorities and women in overall management by state in 2015 (see app. III).

Figure 11: Representation of Women in Management Positions at Financial Services Firms of Different Sizes, 2007 and 2015



Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

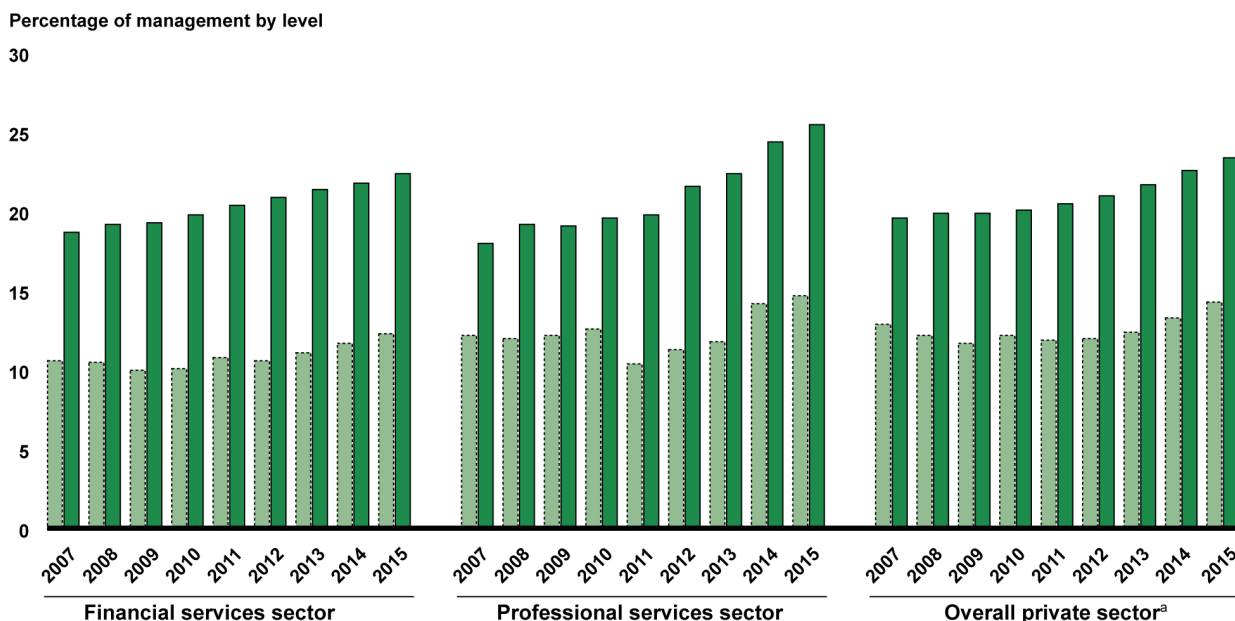
Financial Services Sector Trends Have Similarities and Differences Compared to Other Sectors

Representation of minorities increased from 2007 through 2015 in the financial services sector, the professional services sector, and the overall private sector at both the senior-level and the first- and mid-level of management, as shown in figure 12. The professional services sector includes jobs in legal services, accounting, consulting, and advertising, among other services.²⁸ Among first- and mid-level managers, however, the representation of minorities increased at a higher rate for the professional services sector. More specifically, from 2007 through 2015, minorities' representation among first- and mid-level managers increased by 7.5 percentage points in the professional services sector. In comparison, minorities' representation among first- and mid-level managers in the financial services sector and the overall private sector

²⁸The Profession, Scientific, and Technical Services Sector (NAICS code 54) comprises establishments that specialize in performing professional, scientific, and technical activities for others. Activities performed include: legal advice and representation; accounting, bookkeeping, and payroll services; consulting services; and computer services.

increased by 3.7 and 3.8 percentage points, respectively, during this time. Among senior-level managers, representation of minorities fluctuated from 2007 through 2015 in all three sectors. However, minorities' representation increased the most—by 2.5 percentage points—in the professional services sector, compared to the financial services and overall private sector, which increased by 1.7 and 1.4 percentage points, respectively.

Figure 12: Representation of Minorities in Various Management Positions in Financial Services, Professional Services, and the Overall Private Sector, 2007–2015



Senior-level	10.6	10.5	10.0	10.1	10.8	10.6	11.1	11.7	12.3	12.2	12.0	12.2	12.6	10.4	11.3	11.8	14.2	14.7	12.9	12.2	11.7	12.2	11.9	12.0	12.4	13.3	14.3
First- and mid-level	18.7	19.2	19.3	19.8	20.4	20.9	21.4	21.8	22.4	18.0	19.2	19.1	19.6	19.8	21.6	22.4	24.4	25.5	19.6	19.9	19.9	20.1	20.5	21.0	21.7	22.6	23.4

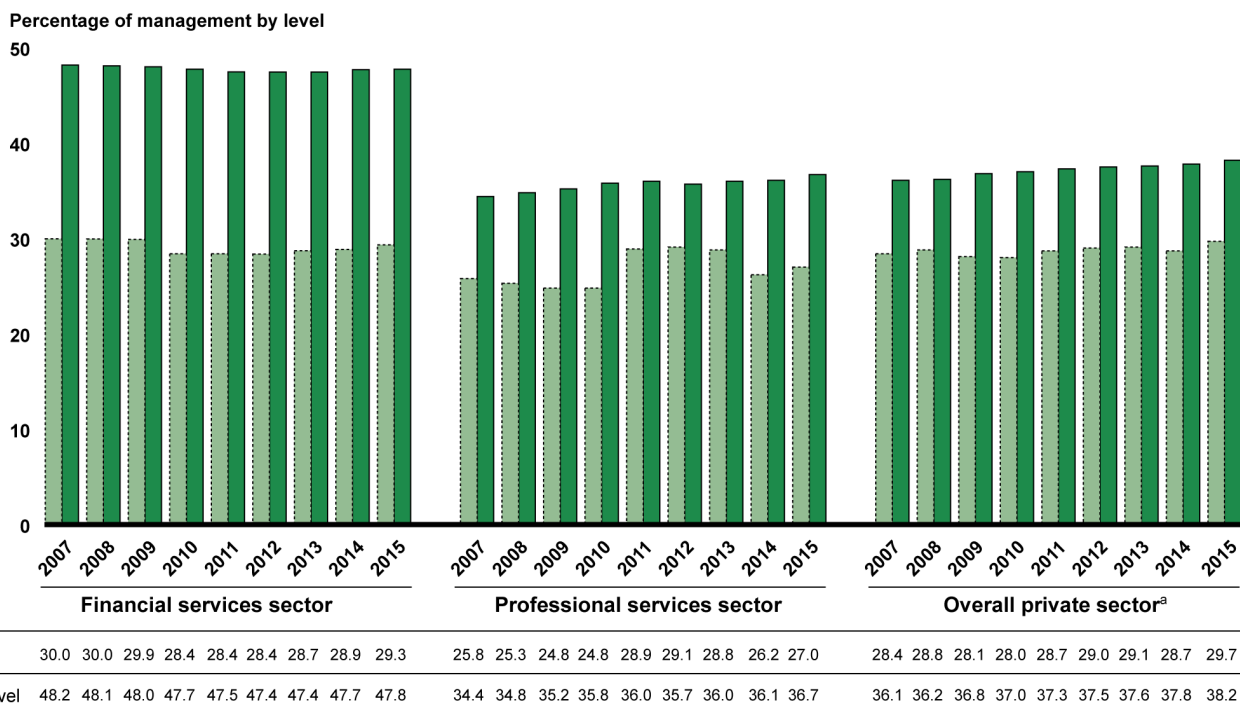
Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

^aExcludes financial services.

The financial services sector has generally had a greater proportion of women in various management positions compared to the overall private sector (excluding the financial services sector) and the professional services sector. As shown in figure 13, from 2007 through 2015 women represented about 48 percent of the first- and mid-level management positions in the financial services sector. In comparison, women's representation among first- and mid-level managers in other sectors was smaller. For example, women represented 36.7 percent of the first- and

mid-level managers in the professional services sector in 2015. Among senior-level managers, the representation of women in financial services was slightly higher than their representation in the overall private sector from 2007–2010, after which time their representation in each sector was generally within 1 percentage point. From 2007 through 2015, women’s representation among senior-level managers in financial services was generally greater than their representation among senior-level managers in the professional services sector.

Figure 13: Representation of Women in Various Management Positions in Financial Services, Professional Services, and the Overall Private Sector, 2007–2015



Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

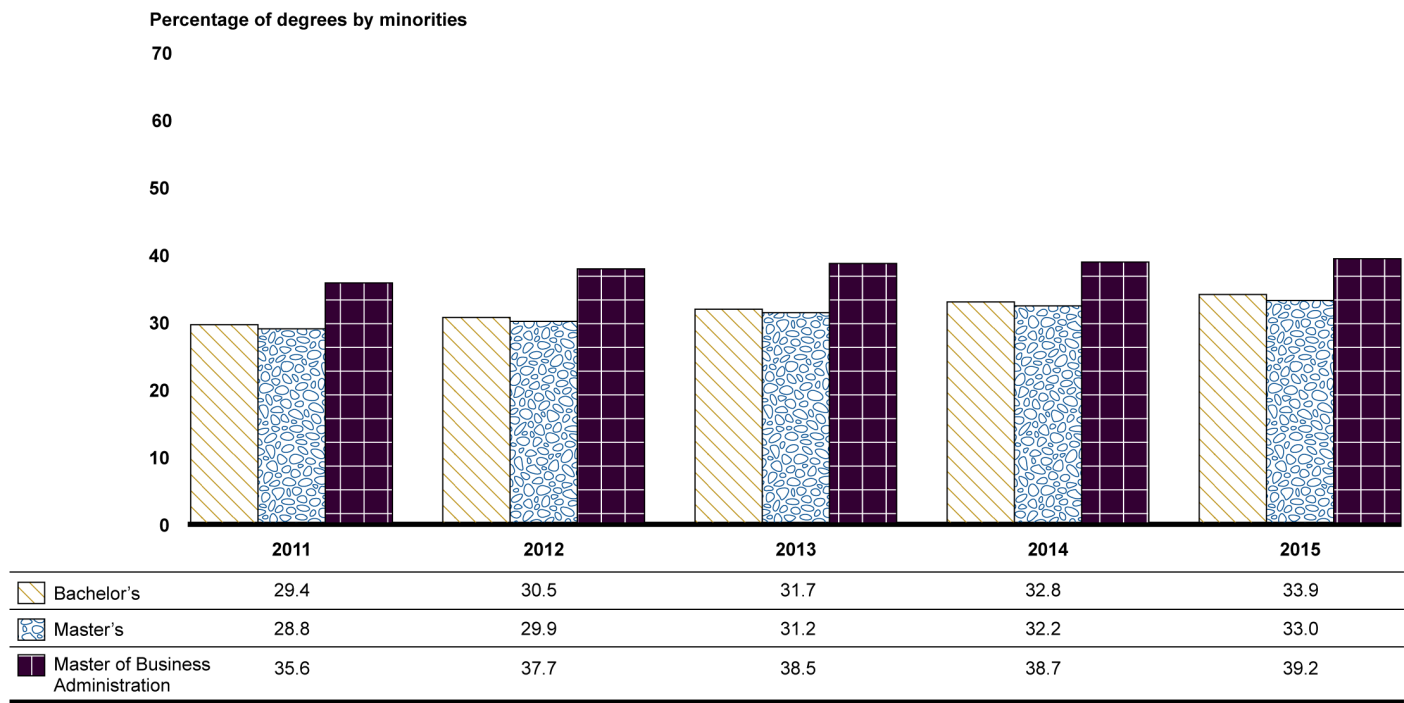
^aExcludes financial services.

Potential Talent Pools for Financial Services Positions, Including Management, Are Diverse

Potential employees for the financial services industry who could be an external pool for becoming managers can come from a wide range of academic and professional backgrounds. Undergraduate or graduate degrees are an important consideration for employment according to staff we spoke with at financial services firms. Representatives from three financial services firms told us that while graduates with Master of Business Administration (MBA) degrees are still an important external talent pool, firms have broadened their recruitment efforts and seek students with a variety of degrees.

About one-third of the external pool of potential talent for financial services, that is, those obtaining undergraduate or graduate degrees, were racial/ethnic minorities from 2011 through 2015 (see fig.14). Rates of bachelor's degree attainment by racial/ethnic minorities increased from 29.4 percent in 2011 to 33.9 percent in 2015. During the same time period, rates of master's degree attainment increased by similar amounts, from 28.8 percent to 33 percent, and MBA attainment increased from 35.6 percent to 39.2 percent. As previously noted, the proportion of managers in the financial services industry who were racial or ethnic minorities increased from 17.3 percent in 2007 to 21 percent in 2015, which is lower than the rates of bachelor's, master's, and MBA degree attainment for these groups across all years.

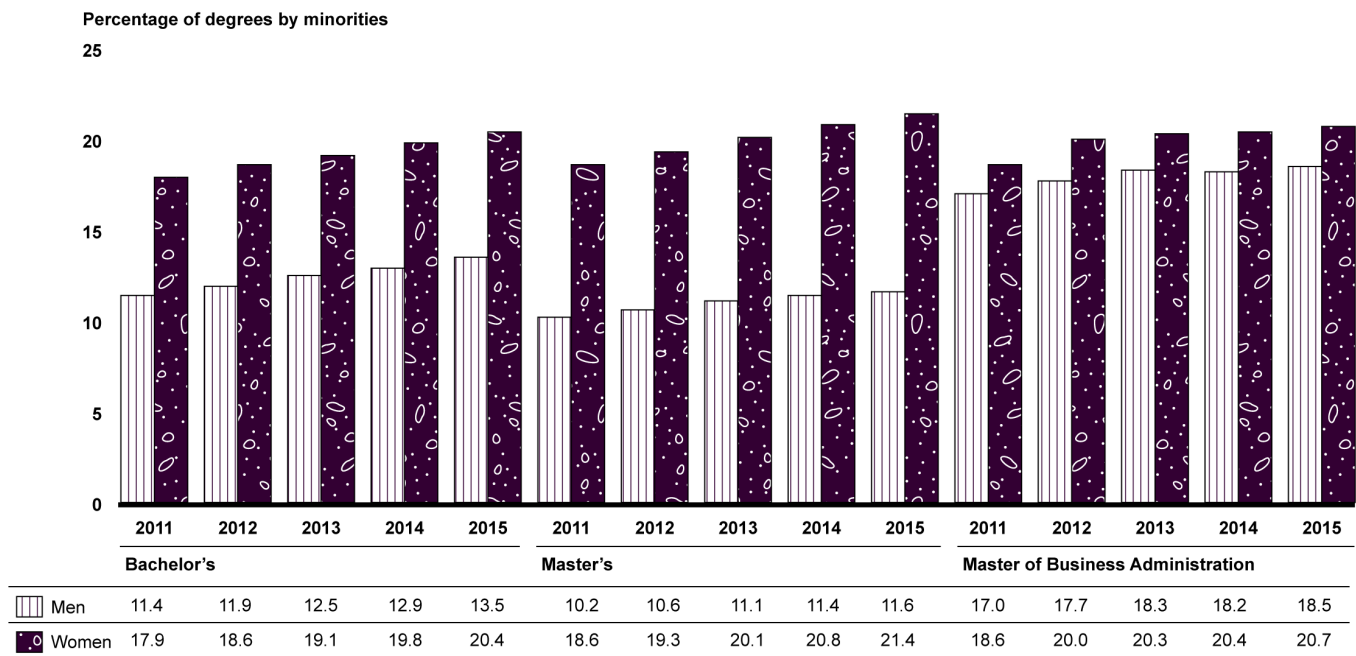
Figure 14: Percentages of Undergraduate and Graduate Degrees Earned by Minorities, 2011–2015



Source: GAO analysis of Department of Education data. | GAO-18-64

Among the potential external talent pool of minority women and minority men, educational attainment has consistently increased over time, and women have generally obtained a higher percentage of undergraduate or graduate degrees compared to men. For example, from 2011 through 2015, rates of bachelor’s degree attainment increased by at least 2 percentage points each for minority women and minority men, and minority women consistently earned a greater proportion of bachelors’ degrees (see fig. 15). Similarly, the proportions of masters and MBA degrees earned from 2011 through 2015 increased for minority women and minority men. During this time frame, minority women consistently earned a greater proportion of master’s and MBA degrees compared to minority men. Additional information about educational attainment among the potential external talent pool of women and men can be found in appendix IV.

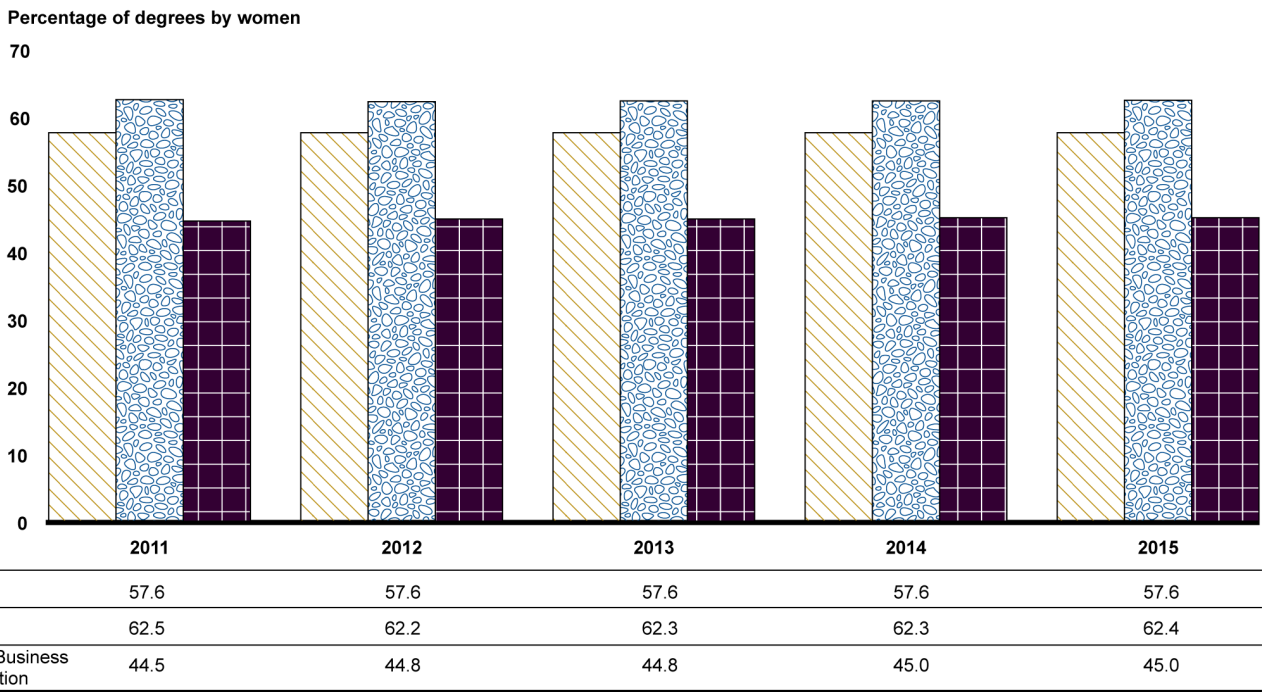
Figure 15: Percentages of Undergraduate and Graduate Degrees Earned by Minority Women and Minority Men, 2011–2015



Source: GAO analysis of Department of Education data. | GAO-18-64

A majority of the external pool of potential talent for the financial services industry, that is, those obtaining undergraduate or graduate degrees, have been women in recent years (see fig. 16). From 2011 through 2015, women consistently earned about 58 percent of bachelors' degrees, just over 60 percent of masters' degrees, and about 45 percent of the MBA degrees. As we previously discussed, women have generally represented about 45 percent of overall management in the financial services industry.

Figure 16: Percentages of Undergraduate and Graduate Degrees Earned by Women, 2011–2015



Source: GAO analysis of Department of Education data. | GAO-18-64

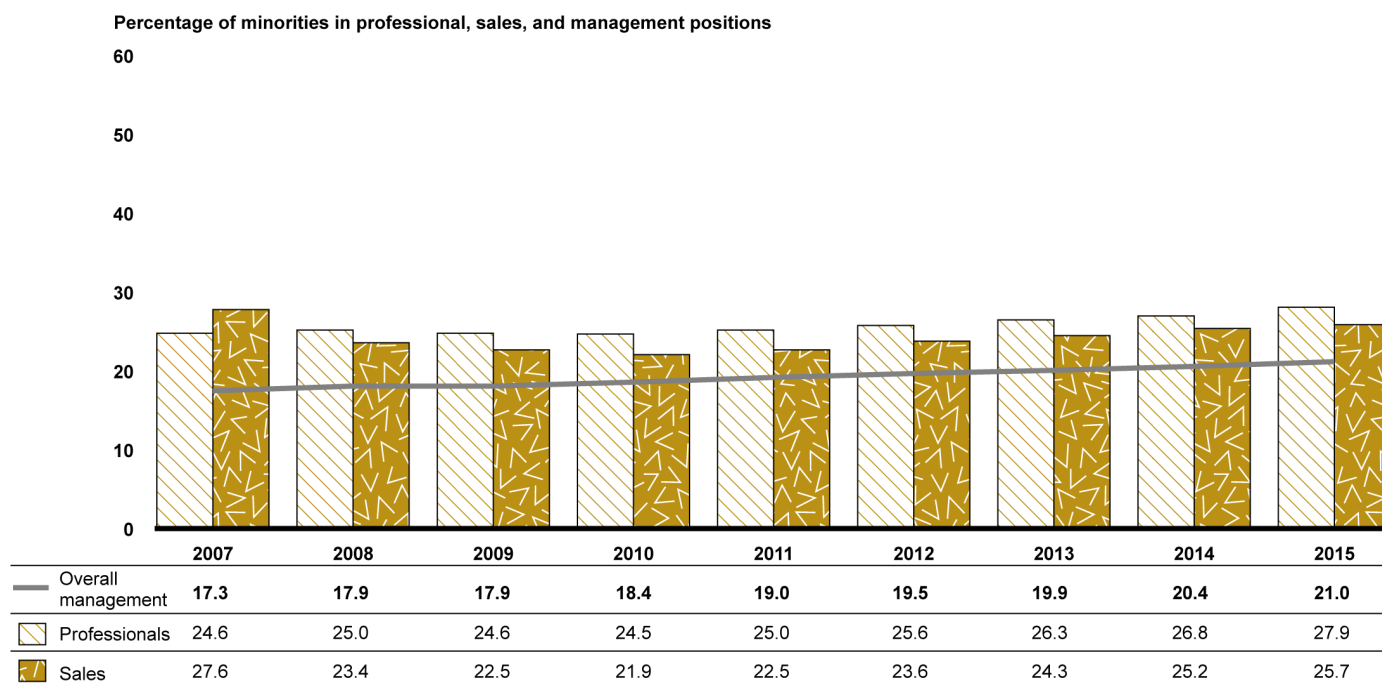
Two of the nonmanagement job categories in the financial services sector—professional and sales positions—are considered to be the industry’s potential “internal pipeline,” which comprise staff that could potentially move into management positions.²⁹ Professional positions can include credit and financial analysts, personal financial advisors, financial examiners, and loan officers; sales positions can include those in securities, commodities, financial services, and insurance sales agents.³⁰ EEOC data are derived from annual reports that show firms’ workforce composition in a single point of time and therefore do not allow for analysis of the extent to which firms promote staff internally. However, the data do provide some insights into the potential internal pipeline.

²⁹Equal Employment Opportunity Commission, *Diversity in the Finance Industry* (Washington, D.C.: 2006).

³⁰Most professional positions, according to EEOC, require bachelor and graduate degrees, and/or professional certifications. Additional examples of professional positions that may exist in the financial sector include computer programmers and lawyers.

Representation of racial/ethnic minorities in professional and sales positions has changed over time, but has generally been greater than their representation in overall management positions (see fig. 17). More specifically, EEOC data show that racial/ethnic minorities generally comprised about 25 percent of the professional positions from 2007 through 2011, and then increased to nearly 28 percent in 2015. In contrast, the representation of racial/ethnic minorities in sales positions decreased during the 2007–2009 financial crisis, and then increased from nearly 23 percent in 2011 to nearly 26 percent in 2015. As previously noted, minorities have represented from 17 percent to 21 percent of overall management in the financial services industry from 2007 through 2015. See appendix IV for additional information on the potential internal pool for management positions in the financial services industry.

Figure 17: Percentages of Minorities in the Financial Services Industry in Professional, Sales, and Management Positions, 2007–2015

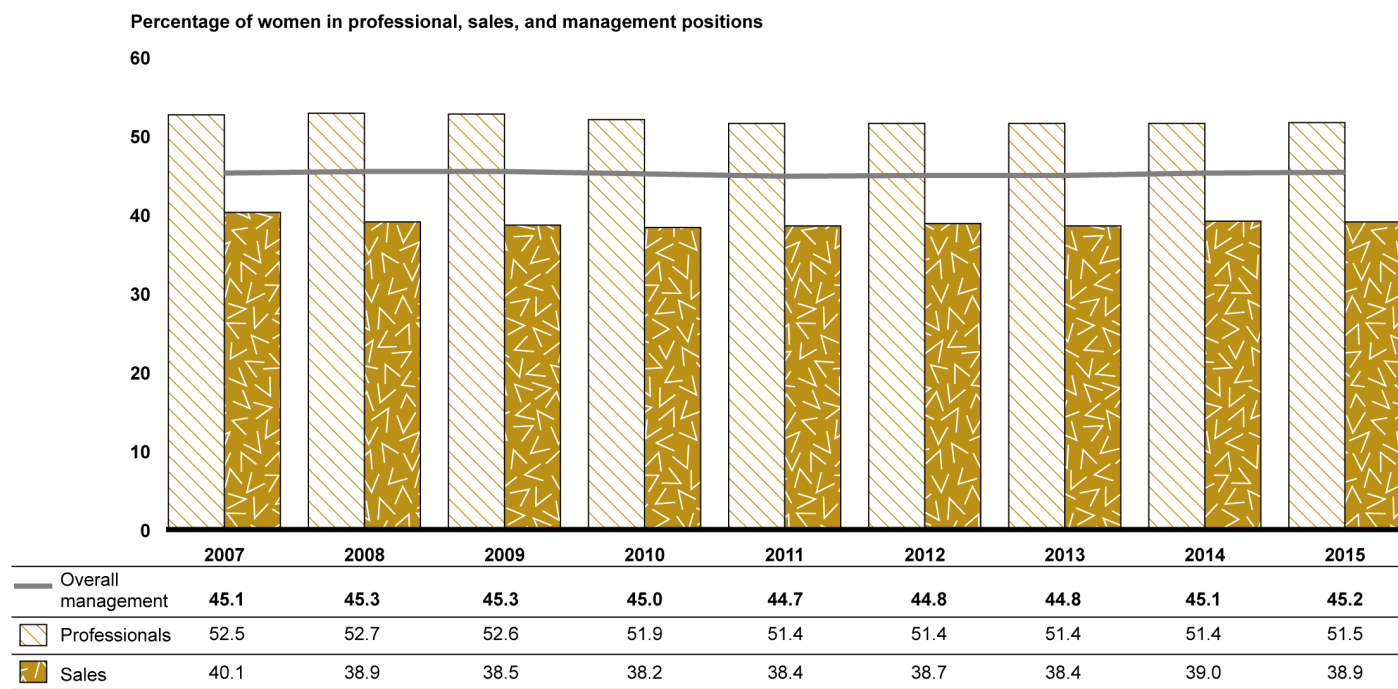


Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Representation of women in professional positions in the financial services industry has generally been greater than women’s representation in overall management (see fig. 18). For example, from

2007 through 2015, the proportion of women in professional positions has generally been just over 50 percent. As previously noted, during this time frame women consistently represented about 45 percent of overall management. The percentage of women in sales positions within the financial services industry has generally been lower, at about 40 percent.

Figure 18: Percentages of Women in the Financial Services Industry in Professional, Sales and Management Positions, 2007–2015



Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Industry and Other Sources Describe Ongoing Workforce Diversity Challenges and Practices to Address Them

Representatives from financial services firms and other stakeholders described many of the same challenges in recruiting and retaining women and racial/ethnic minorities as we have previously reported, including negative perceptions of the financial services industry that might discourage potential candidates. Practices that financial services firms use to address these challenges include broadening recruitment efforts, establishing relationships with student groups and professional organizations, and providing training on unconscious bias. Representatives from all of the financial services firms we met with agreed on the importance of analyzing data on the demographic

characteristics of their employees. Some firm representatives noted that by assessing employee data they can identify trends that may need to be addressed. However, representatives and other stakeholders differed on the benefits of making firm-level information on employee diversity publicly available.

Firms and Other Sources Cite a Variety of Recruiting Challenges and Practices That May Help Address Them

Representatives from financial services firms and organizations that advocate for women or racial/ethnic minorities described a variety of challenges to recruiting a diverse workforce for the financial services sector, many of which we have described in previous reports on the topic.³¹ For example, representatives from several financial services firms stated that negative perceptions of the industry could limit potential candidates' interest in the field. Additionally, representatives of an organization that advocates for workforce diversity stated that women and minorities may not seek employment in the financial sector due to concerns about the industry's reputation or a lack of awareness of career paths in the industry.

Representatives from some financial services firms told us that it is challenging to get firm leadership on board with recruiting at a broad group of schools, rather than a small number of elite universities. Representatives from three organizations that advocate for women or minorities similarly observed that some financial services firms focus on elite universities. Also, some financial services firm representatives told us that there is a great deal of competition for diverse talent and that financial services firms are increasingly competing with technology firms for talent. Representatives from two firms also stated that it is challenging to recruit diverse staff to work in some geographic locations.

Reports on workforce diversity echo some of the recruiting challenges that we heard from financial firm representatives. For example, a 2012 consulting firm report on women in senior management notes that at the entry-level businesses viewed as male-dominated tend to attract fewer women.³² This report also states that sometimes companies have a view

³¹[GAO-06-617](#), [GAO-10-736T](#), and [GAO-13-238](#).

³²Sandrine Devillard, Wieteke Graven, Emily Lawson, Renée Paradise, and Sandra Sancier-Sultan, *Women Matter 2012: Making the Breakthrough* (McKinsey & Company, 2012). Researchers conducted interviews with human resource executives, executives responsible for diversity, or other top executives at over 200 European companies to ask about the companies' diversity practices. The views expressed may not be representative of all executives in the study.

that positions requiring long hours will not suit women. A 2012 study on women's job choices found that in financial services, women are significantly less likely than men to apply for financial advisory and trading jobs and more likely to apply for jobs in general management—most notably internal finance and marketing.³³ A 2014 consulting firm report on diversity in the leadership of companies in the United Kingdom, Canada, Latin America, and the United States found a number of barriers to the recruitment of all diversity groups (including women as well as racial/ethnic groups).³⁴ These barriers include the lack of visible support from leadership and inadequate collection and use of data on the advantages of more diverse organizations. Additionally, a 2016 consulting firm report on women in financial services in 32 countries noted that a majority of asset managers who were interviewed held the view that certain jobs in financial services, such as asset management, may deter qualified women from applying, as may a lack of knowledge about the industry among graduate students.³⁵

Financial firm representatives and other stakeholders we spoke with, and research we reviewed described a variety of practices that they believe or have found to be effective for recruiting women and racial/ethnic minorities. These practices include the following.

- **Engaging in broad-based recruiting.** Representatives from three firms stated that they are increasingly hiring and interested in recruiting students from a variety of academic disciplines, such as liberal arts or science and technology. For example, representatives from one firm explained that they are interested in candidates with critical thinking skills, and that technical skills can be taught to new employees. Additionally, representatives from several firms noted the importance of recruiting at a broad group of schools, not just a small number of elite universities.
- **Establishing relationships with student and professional organizations.** Most financial firm representatives told us that an

³³Roxana Barbulescu and Mathew Bidwell, "Do Women Choose Different Jobs from Men? Mechanisms of Application Segregation in the Market for Managerial Workers," *Organization Science* (2012).

³⁴Vivian Hunt, Dennis Layton, and Sara Prince, *Diversity Matters* (McKinsey & Company, 2014).

³⁵Astrid Jäekel and Tom Moynihan, *Women in Financial Services* (Marsh & McLennan Companies, 2016).

effective strategy for recruiting diverse students is to establish relationships with student organizations representing diverse groups. Representatives from one firm explained that working with student groups helps expose diverse students to careers in financial services. Additionally, to help recruit women and minorities who may already have graduated from college or graduate school, representatives of most financial firms and two trade groups described establishing relationships with professional organizations that represent women and minorities.

- **Intentionally recruiting diverse candidates.** Representatives from two financial services firms and two organizations that advocate for the financial services industry noted that firms should intentionally seek out diverse candidates. For example, representatives from one firm discussed the importance of including diversity in a firm's recruiting strategy and establishing relationships with schools and organizations that can increase women's and minorities' exposure to financial services.
- **Offering programs to increase awareness of financial services.** Several financial firm representatives told us that they establish relationships with high school students to expose diverse students to the financial services field. For example, representatives from one firm described a program that pairs high school students with a mentor from the firm. Two organizations that advocate for the financial services industry also noted that it is helpful for financial services firms to establish relationships with high schools to educate young students about the field. A 2016 consulting firm report on women in financial services organizations in 32 countries found that a majority of asset managers who were interviewed thought it was important for financial services firms to educate students about careers available in financial services.³⁶ The report noted that more on-campus education and public relations work could help attract women to the field.

³⁶Jäekel and Moynihan, *Women in Financial Services*.

Firms and Other Sources Note Retention Challenges and Practices That May Help Retain and Promote Diverse Employees

Reports on workforce diversity, representatives from financial services firms, and other stakeholders discussed several challenges to retaining women and racial/ethnic minorities, several of which we have previously reported.³⁷ Representatives of three financial services firms and two organizations that advocate for the financial services industry told us that it is challenging to retain women and minorities at organizations that lack women and minorities in management positions. Additionally, two former employees of large financial services firms, both racial/ethnic minorities, told us that there are fewer mentors or role models for women and racial/ethnic minorities in firms that have fewer women and minorities in leadership positions. A 2012 consulting firm report on women in senior management reported that women can lack a network or sponsor to help them advance.³⁸ Some financial firm representatives noted that employee resistance, particularly from middle-managers, poses a challenge to diversity and inclusion efforts.

Additionally, some organizations that advocate for women and minorities noted that unconscious bias is an issue that can negatively affect women and minorities. As an example, managers may give hiring or promotion preferences to persons who have hobbies or educational backgrounds similar to theirs. Also, the authors of a 2014 report on women in senior management at financial and nonfinancial organizations across 40 countries suggested that unconscious bias against women can result in a reluctance to promote women in the expectation that they will eventually put family first.³⁹ The report stated that this bias can trigger a self-fulfilling prophecy, as lack of promotion is one of the top reasons cited by women for leaving their jobs.

Reports on diversity, representatives from financial services firms, and other stakeholders described a variety of practices that may be helpful in retaining women and racial/ethnic minorities. These practices include the following.

³⁷GAO-06-617 and GAO-10-736T.

³⁸Devillard, Graven, Lawson, Paradise, Sancier-Sultan, *Women Matter 2012*. This report, which focused on the gender diversity practices of 235 European countries, also found that the particular mindsets that hamper gender diversity vary depending on country and corporate culture.

³⁹Julia Dawson, Richard Kersley, and Stefano Natella, *The CS Gender 3000: Women in Senior Management* (Zurich, Switzerland: Credit Suisse Research Institute, 2014).

-
- **Establishing affinity groups.** Representatives from four financial services firms stated that having affinity groups helps promote both diversity and inclusion. Affinity groups—sometimes referred to as employee resource groups or networking programs—provide forums for employees to gather socially and share ideas outside of their particular work unit.⁴⁰ Representatives from two firms emphasized that it is important for affinity groups to have meetings with firm leadership. A 2007 study reported that networking programs have stronger effects on some demographic groups than others.⁴¹
 - **Training managers and employees on inclusion and unconscious bias.** Several financial firm representatives emphasized the importance of offering training to foster an inclusive work environment. As previously noted, an inclusive work environment is one that encourages employees to feel valued for their unique qualities and experience a sense of belonging. Training on inclusiveness, emotional intelligence, and unconscious bias were specifically noted by two financial firm representatives as being helpful for both managers and staff.
 - **Establishing management-level accountability.** Representatives from three financial firms told us that firm management should be held accountable for the firm’s workforce diversity goals. Managers’ performance in maintaining a diverse workforce can be evaluated a variety of ways. For example, two firm representatives discussed the use of “diversity scorecards.” A diversity scorecard is a set of objectives and measures derived from an organization’s overall business strategy and linked to its diversity strategy. Additionally, one firm representative noted that tying senior managers’ compensation to diversity goals has been an effective practice for retaining women and minorities. Researchers have noted that efforts to establish

⁴⁰In addition to racial, ethnic background, and gender-based affinity groups, there are affinity groups that bring together employees based on religion, physical disabilities, military service, age, or sexual orientation, as well as other shared interests or experiences.

⁴¹Frank Dobbin and Alexandra Kalev, “The Architecture of Inclusion: Evidence from Corporate Diversity Programs,” *Harvard Journal of Law & Gender*, vol. 30 (2007).

organizational responsibility for diversity lead to the broadest increases in managerial diversity.⁴²

- **Offering staff mentors and sponsors.** Representatives from three financial firms and two organizations that advocate for the financial services industry told us that providing staff with mentors or sponsors helps retain and promote women and racial/ethnic minorities. In general, a mentor provides advice and guidance to more junior staff (protégés) and a sponsor nominates or supports a protégé's promotion.⁴³ Research and reports discuss the benefits of mentors and sponsors.⁴⁴
- **Implementing family-friendly policies.** Some of the financial services firm representatives and three of the four individuals with whom we met (members of racial minority groups who had worked in large financial services firms) noted the importance of work-life balance to help retain women. A 2011 paper on the Canadian financial sector described selected banks' family-friendly policies, such as flexible work schedules, that facilitate work-life balance.⁴⁵

As previously noted, in 2005 we identified a set of nine leading diversity management practices that should be considered when an organization is

⁴²Alexandra Kalev, Frank Dobbin, Erin Kelly, "Best Practices or Best Guesses? Assessing the Efficacy of Corporate Affirmative Action and Diversity Policies," *American Sociological Review*, vol. 71, no. 4 (2006). The authors studied the presence of three types of diversity approaches: (1) organizational responsibility, such as having an affirmative action plan, diversity committee, and diversity staff; (2) efforts to reduce managerial bias, such as diversity training; and (3) efforts to reduce social isolation of minority groups, such as networking and mentoring programs.

⁴³Jing Cao and Yu-Chung Yang, "What are Mentoring and Sponsoring and How do they Impact Organizations?" *Cornell University ILR School* (Spring 2013).

⁴⁴Rowena Ortiz-Walters, "Mentorship Collaborations: A Longitudinal Examination of the Association with Job Performance and Gender," *Journal of Business & Economic Studies* (Spring 2009); Anesa "Nes" Diaz-Uda, Carmen Medina, and Beth Schill, "Diversity's New Frontier: Diversity of Thought and the Future of the Workforce," *Deloitte University Press* (2013); and Rick Guzzo, Alina Polonskaia, and Bess Tschantz-Hahn, "Bridging the Diversity Gap: Building African-American and Latino Talent Pipelines for the Financial Services Industry in Chicago," *Mercer* (2015).

⁴⁵"Using the Diversity Audit Tool to Assess the Status of Women in the Canadian Financial Services Sector: A Case Study." (Paper presented at the 11th International Conference on Diversity in Organisations, Communities and Nations. Cape Town, South Africa, 2011). The Diversity Audit Tool was developed by Canadian Researchers and is used for assessing and identifying leading practices to increase diversity in organizations. One of the tool's leading practices focuses on flexibility and ensuring that organizational culture is inclusive and adaptable for the differing needs of employees.

developing and implementing diversity management.⁴⁶ These practices include measuring the impact of diversity programs and providing training for management and staff on diversity. Financial firm representatives and other stakeholders with whom we met agreed that these practices are still relevant.

However, researchers have found that practices related to diversity may not benefit all genders and racial/ethnic groups evenly. For example, a 2015 consulting firm report found that the approach of many companies to cover all groups (racial/ethnic, gender, and sexual orientation) using a single diversity program is insufficient.⁴⁷ The report found that diversity-related practices should be tailored to specific groups. Earlier empirical research similarly found that the effects of various diversity-related initiatives varied across gender and race/ethnicity groups.⁴⁸

Firms and Stakeholders Generally Agree on the Value of Assessing Workforce Diversity and Inclusion, but Differ on Benefits of Making Data Public

Representatives of financial services firms told us that it is useful for financial services firms to analyze demographic data to assess diversity of their workforce and identify trends that may need to be addressed. All of the financial services firms with whom we met agreed on the importance of analyzing employee data. Some firm representatives noted that by assessing employee data they can analyze the gender and racial/ethnic diversity of new hires, employees leaving the organization, and newly promoted staff and managers. Representatives from several firms stated that it is important for organizations to be self-aware of how they are doing with workforce diversity. Also, representatives from an investment bank told us that they analyze employee data over time to determine whether certain demographic groups tend to leave the firm after a certain number of years. With this information, the representatives

⁴⁶As previously discussed the nine leading diversity practices are (1) commitment to diversity as demonstrated and communicated by an organization's top leadership; (2) the inclusion of diversity management in an organization's strategic plan; (3) diversity linked to performance, making the case that a more diverse and inclusive work environment could help improve productivity and individual and organizational performance; (4) measurement of the impact of various aspects of a diversity program; (5) management accountability for the progress of diversity initiatives; (6) succession planning; (7) recruitment; (8) employee involvement in an organization's diversity management; and (9) training for management and staff about diversity management. See [GAO-05-90](#).

⁴⁷Vivian Hunt, Dennis Layton, and Sara Prince, "Diversity Matters," *McKinsey & Company* (2015). This report is based on a proprietary dataset for the consumer industries in the United Kingdom. They found that companies with higher levels of either gender or ethnic diversity in leadership did not also have higher levels of the other.

⁴⁸Dobbin and Kalev, "*The Architecture of Inclusion*," 293.

told us, the organization can proactively take steps to help retain these staff, such as providing staff with mentors. Additionally, representatives from a large bank explained that by analyzing demographic data of employees, the organization can identify “leaks” in their internal pipeline. That is, they can determine when and potentially why women and racial/ethnic minorities leave before progressing into management positions. Several financial firm representatives told us that when they identify data trends that indicate problems, such as retention issues, they then take steps to address them.

Several financial firm representatives stated it is important to know the demographic make-up of employees, because firms should look like their customers. As an example, a representative of an investment banking institution told us that over half of the firm’s customers were women; therefore it was a priority for the organization to know how to serve them as well as other diverse groups. Also, a firm representative told us that some potential clients call inquiring about racial and gender diversity before doing business. The representative added that clients are interested in receiving advice and information from advisors to whom they can relate. Additionally, representatives from a large financial services firm stated workforce diversity helps the firm better understand its diverse customers.

Representatives of three financial services firms with whom we met also described the importance of obtaining employees’ views about the organization, including employees’ feelings about diversity and inclusion. For example, a financial services firm representative told us that in order to be successful at fostering workforce diversity firms must obtain employees’ views on work/life balance, opportunities for advancement, and inclusiveness. He noted that while quantitative data on employees’ demographic characteristics may indicate that the workforce has become more diverse, employees may not feel like the workplace has become more diverse. Three of the organizations with whom we met (two that advocate for the financial services industry and one that advocates for diversity) agreed on the importance of surveying employees about diversity and inclusion. For example, representatives from a financial services industry trade group told us that employee surveys can be used to detect issues that minority employees face. Research points out that having diversity management practices alone is insufficient for improving

workplace performance.⁴⁹ This research finds that productive workplaces exist when inclusion is promoted and employees are encouraged to express their opinions and their input is sought before making important organizational decisions.

Representatives of financial services firms and organizations that advocate for diversity varied in their views on whether data on the demographic characteristics of employees at specific financial services firms should be shared publicly, for example through diversity indexes or on the company's website.⁵⁰ Representatives from two financial firms told us that publicly disclosing firm-level employee characteristics would not benefit the company. More specifically, representatives from two financial services firms indicated that diversity indexes are of limited value because they do not indicate whether a firm has made progress on diversity. One representative noted the reputation of firms that are not diverse could be damaged, which could make improvement of workforce diversity more difficult. As discussed earlier, potential candidates' negative perceptions of the financial services industry's reputation can make it difficult for firms to recruit diverse employees.

In contrast, representatives from one of the financial services firms and two organizations that advocate for diversity told us that making data on the diversity of firms' workforce publicly available was beneficial because it highlighted firms' diversity efforts. As an example, representatives from a large financial services firm told us that the firm regularly participates in a number of surveys on diversity, which third-parties use to create various diversity indexes. The indexes highlight this firm's progress on employee diversity. Additionally, several of the firms with whom we met post data on their websites indicating demographic information about their employees, such as the proportion of women in management and employees' country of origin.

Representatives of organizations that advocate for diversity in the workplace cited the benefits of diversity indexes and the publication of workforce diversity information on specific financial services companies.

⁴⁹Meghana Sabharwal, "Is Diversity Management Sufficient? Organizational Inclusion to Further Performance," *Public Personnel Management* (Summer 2014). The authors include three components in diversity management practices: recruitment programs, programs aimed to increase cultural awareness, and pragmatic management policies.

⁵⁰Diversity indexes or rankings are third-party assessments of an organization's diversity-related policies and efforts.

For example, one representative stated that requiring businesses to be transparent about their workforce diversity data creates incentives to improve the diversity of their workforce. A representative from an organization that advocates for women noted that diversity indexes or other public information can be helpful for investors, who want to know about the workforce composition of the businesses that they may invest in. This representative stated that institutional investors have been leading the charge for more transparency and diversity among companies. We have previously reported on large investors' interest in having more public disclosure about the diversity of corporate board directors.⁵¹

Agency Comments

We provided a draft of this report to EEOC. We received technical comments, which we addressed as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution of this report until 30 days from the report date. At that time, we will send copies of this report to the appropriate congressional committees and the Acting Chair of the Equal Employment Opportunity Commission. We will make copies available to others upon request. The report will also be available at no charge on our website at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-8678 or garcia Diaz@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs are listed on the last page of this report. GAO staff who made major contributions to this report are listed in appendix V.



Daniel Garcia-Diaz
Director, Financial Markets and Community Investment

⁵¹GAO, *Corporate Boards: Strategies to Address Representation of Women Include Federal Disclosure Requirements*, GAO-16-30 (Washington, D.C.: Dec. 3, 2015).

List of Requesters

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing and Urban Affairs
United States Senate

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

The Honorable Al Green
Ranking Member
Subcommittee on Oversight and Investigations
Committee on Financial Services
House of Representatives

Appendix I: Objectives, Scope, and Methodology

The objectives of this report were to examine (1) trends in management-level diversity in the financial services industry, (2) trends in diversity among potential talent pools, and (3) challenges financial services firms identified in trying to increase workforce diversity and practices firms used to increase workforce diversity.

Trends in Management-Level Diversity

To describe management-level diversity in the financial services industry, we obtained 2007–2015 workforce data from the Equal Employment Opportunity Commission’s (EEOC) Employer Information Report (EEO-1).¹ EEO-1 data are annually submitted to EEOC by most private-sector firms with more than 100 employees. Most federal contractors with 50 or more employees are also required to submit to EEOC annual reports showing the composition of their workforce; however, consistent with our 2006 and 2013 reports, we did not include these contractors in our analysis.² Accordingly, the EEO-1 data presented in this report do not exactly match the EEO-1 data on EEOC’s website. We found that these differences were small and did not materially change the trends in the representation of various demographic groups.

We obtained EEO-1 data in February 2017 for the finance and insurance industry categorized under the North American Industry Classification System (NAICS) code 52 from 2007 through 2015, the most recent year of data available. EEO-1 data were specifically obtained for each job category by gender, race/ethnicity, firm size, and industry sectors. We used the race/ethnicity categories used by EEOC: African-American, Asian, Hispanic, and Other. The “Other” category, which represents less than 3 percent of the financial services workforce, includes Native Hawaiian or Pacific Islander, Native American or Alaska Native, and “two or more races.” Job categories include: senior-level managers, first- and mid-level managers, professionals, technicians, sales workers, administrative support workers, craft workers, operatives, laborers and

¹EEOC collects periodic reports from public and private employers and unions and labor organizations that indicate the composition of their workforces by sex and by racial/ethnic category. Key among these reports is the EEO-1.

²Federal contractors are required to file if they have 50 or more employees and (1) are prime contractors or first-tier subcontractors, and have a contract, subcontract, or purchase order amounting to \$50,000 or more, (2) serve as a depository of government funds in any amount, or (3) are a financial institution which is an issuing and paying agent for U.S. Savings Bonds and Notes. Federal contractors explicitly exempt under 41 C.F.R. § 60-1.5 are not required to file. Only establishments located in the District of Columbia and the 50 states are required to file.

helpers, and service workers. We defined “overall management” as senior-level managers and first- and mid-level managers. We compared 2007 through 2015 EEO-1 data on the financial services industry to comparable information we previously published using EEO-1 data on diversity trends in the financial services industry from 1993–2006.³ Because the EEOC data do not come from a sample, but are collected from all businesses, we did not calculate standard errors or confidence intervals on our estimates.

To compare diversity trends in the financial services industry with the overall private sector and the “professional and technical services sector,” we downloaded 2007 through 2015 EEO-1 data on the overall private sector and the professional and technical services sector from the EEOC website. We excluded data for the financial services industry from the data representing the “overall private sector.” The professional and technical services sector is categorized under the NAICS code 54, and includes establishments that specialize in performing professional, scientific, and technical activities for others, such as accounting, bookkeeping, payroll services, and consulting services. For the financial services industry, we used the data provided to us by EEOC, which, as discussed earlier, does not include federal contractors with fewer than 100 employees and therefore does not precisely match data on EEOC’s website. We chose not to rely on data from the EEOC website for this comparison so that data on the financial services sector would be from a consistent source throughout the report. We compared the representation of racial/ethnic minorities and women in management positions across all three sectors from 2007 through 2015.

To determine the reliability of the EEO-1 data from EEOC that we used throughout this report, we interviewed knowledgeable EEOC officials and reviewed relevant documents provided by agency officials and obtained on its website. We also conducted electronic testing of the data. We determined that the EEO-1 data were sufficiently reliable for describing workforce diversity trends.

³GAO, *Financial Services Industry: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993-2004*, [GAO-06-617](#) (Washington, D.C.: June 1, 2006) and *Financial Services Industry: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993-2008*, [GAO-10-736T](#) (Washington, D.C.: May 12, 2010).

Trends in Potential Talent Pools

To describe recent trends in diversity among potential external talent pools (potential source of future managers outside the firms) for positions in the financial services sector, we interviewed representatives from three financial services firms about the preferred educational requirements needed to enter the field. We then used educational attainment data available from the Department of Education's Integrated Postsecondary Education Data System (IPEDS) to analyze the race/ethnicity and gender characteristics of individuals receiving undergraduate degrees, master's degrees (of all subjects), and Master of Business Administration (MBA) degrees for the school years ending 2011 through 2015. At the time of our review, data for the school year ending in 2015 were the most recent data available. Through a review of documentation and electronic testing, we found the IPEDS data to be sufficiently reliable for describing trends in educational attainment.

To describe recent trends in diversity among potential internal talent pools for management positions, we first identified the nonmanagement positions that were most likely to feed into management by reviewing an EEOC report on diversity in financial services and analyzing job descriptions and education requirements for nonmanagement positions in the financial services sector. Based on this information, we determined that the professional and sales job categories best represent the primary internal talent pool for management positions in the financial services industry. We then analyzed EEO-1 data for NAICS code 52 to identify trends in the representation of women and racial/ethnic minorities in professional and sales positions from 2007 through 2015. We compared these trends to trends in the representation of women and racial/ethnic minorities in overall management positions in the financial services industry.

Challenges and Practices Related to Increasing Workforce Diversity

To identify challenges financial services firms face in trying to increase workforce diversity as well as practices financial services firms use to improve workforce diversity, we conducted a literature review. We used research databases such as ProQuest and SCOPUS to search for scholarly or peer-reviewed material, government reports, conference papers, trade and industry articles, and association or nonprofit publications published from 2006 through 2016. Also, we used Internet search techniques and keyword search terms to identify publicly available information about workforce diversity in the financial services sector as of August 2017. In cases where the studies or articles referenced older materials that focused on workforce diversity practices, we reviewed those as well.

In addition, we interviewed: representatives from 13 financial services firms that were actively involved in workforce diversity efforts, representatives of 11 organizations that advocate for the financial services industry, women or racial/ethnic minorities, or both.⁴ We also interviewed a selection of two male and two female members of racial minorities who formerly worked for large financial services firms. We interviewed representatives from 9 of the 13 financial services firms in a group setting. Based on the group-discussion format, we did not collect precise counts of the participants who agreed or disagreed with specific practices or challenges. Financial services firms were selected based on their participation at a conference on improving diversity in the financial services industry, their participation in our previous work, and suggestions from organizations that represent the financial services industry.⁵ Former employees were selected based on their participation in a conference on diversity in financial services or their experience in the financial services industry. We also attended a conference on diversity in the financial services sector. To determine how financial services firms assess their diversity policies and practices, we interviewed representatives of financial services firms as well financial services industry trade groups. The views expressed by firms, trade organizations, and former employees may not be representative of all entities involved in workforce diversity efforts. We used certain qualifiers when collectively describing responses from financial services firms and trade groups, such as “some,” “several,” and “most.” We define some as four, several as at least five but less than most, and most as more than half relative to the total number possible. We also reviewed academic and other research studies on the effect of specific workforce diversity policies.⁶

⁴The trade and advocacy organizations we met with were: Catalyst, Center for Talent Innovation, The Consortium, The Council for Inclusion in Financial Services, The Greenlining Institute, Independent Insurance Agents and Brokers of America, Inc., Mortgage Bankers Association, National Association of Securities Professionals, National Bankers Association, National Urban League, and the Securities Industry and Financial Markets Association.

⁵Rutgers Business School, Federal Reserve System – Office of Employee Benefits, and Global Interdependence Center, “Improving Diversity in the Financial Services Industry: A Holistic View” (Newark, N.J.: Oct. 16, 2016).

⁶We did not review studies on the effect of diversity on corporate boards. For information on this topic see GAO, *Corporate Boards: Strategies to Address the Representation of Women Include Federal Disclosure Requirements*, [GAO-16-30](#) (Washington, D.C.: Dec. 3, 2015).

We conducted this performance audit from August 2016 through November 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

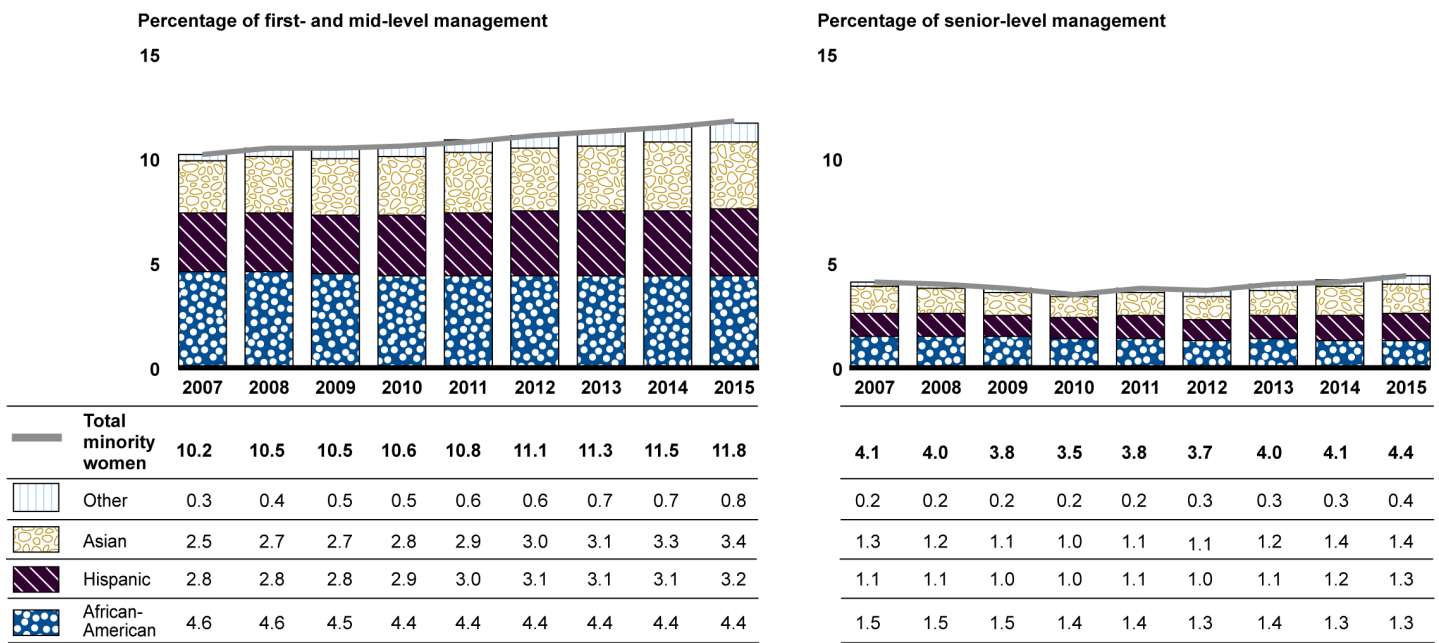
Appendix II: Additional Analysis of Diversity Trends in the Financial Services Industry

This appendix provides additional detailed analysis of EEOC data on the financial services industry from 2007 through 2015.

Analysis by Gender, Race/Ethnicity, and Management Level

The representation of minority women in first- and mid-level management increased by 1.6 percentage points from 2007 through 2015 while their representation in senior-level management increased by 0.3 percentage points during this time (see fig. 19). Women’s representation among specific racial/ethnic groups did not change by more than 1 percentage point for any specific group at either management level from 2007 through 2015.

Figure 19: Representation of Women of Specific Races/Ethnicities at Various Management Levels in the Financial Services Industry, 2007–2015



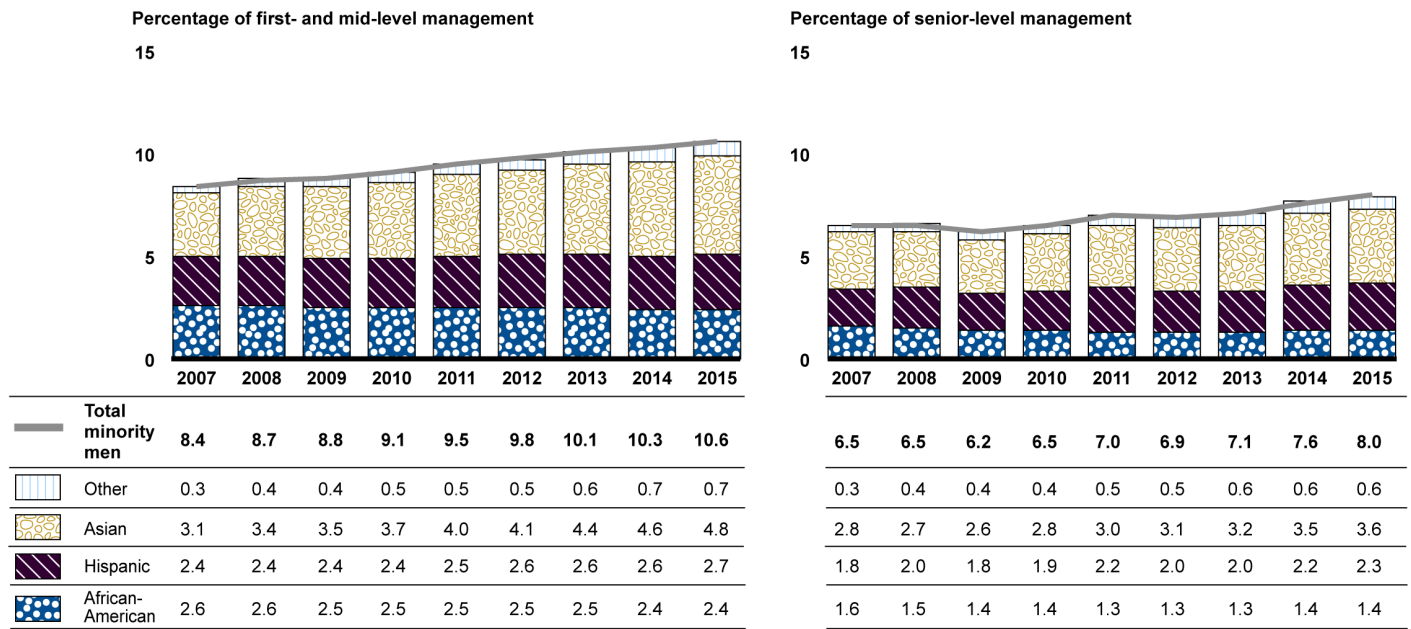
Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Note: The “Other” category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native, and “two or more races.”

The representation of minority men in first- and mid-level management increased by 2.2 percentage points from 2007 through 2015 and their representation in senior-level management increased by 1.5 percentage points (see fig. 20). Men’s representation among specific racial/ethnic groups did not change by more than 1 percentage point at the senior management level. In contrast, at the first- and mid-level management

position, Asian men experienced an increase in their management representation of 1.7 percentage points. Men of other races/ethnicities did not experience changes in their representation at the first- and mid-level management position of more than 1 percentage point.

Figure 20: Representation of Men of Specific Races/Ethnicities at Various Management Levels in the Financial Services Industry, 2007–2015



Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Note: The “Other” category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native, and “two or more races.”

Analysis by Firm Size

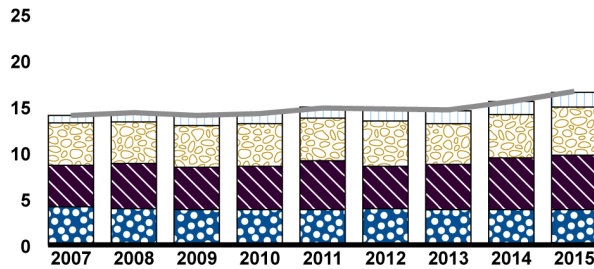
Representation of minorities in overall management increased from 2007 through 2015 in firms of all sizes, with the greatest increases occurring in firms with over 1,000 employees (see fig. 21). Representation of Asians, Hispanics, and Other in management positions increased over time in firms of all sizes while representation of African-Americans in management decreased by less than 1 percentage point or stayed the same from 2007 through 2015 in firms of all sizes. In 2015, Asians and African-Americans had the largest percentage of minority representation, 8.7 percent and 7.1 percent respectively, in firms with over 5,000 employees.

Appendix II: Additional Analysis of Diversity
Trends in the Financial Services Industry

Figure 21: Representation of Specific Racial/Ethnic Groups in Management Positions at Financial Services Firms of Different Sizes, 2007–2015

100 – 249 employees

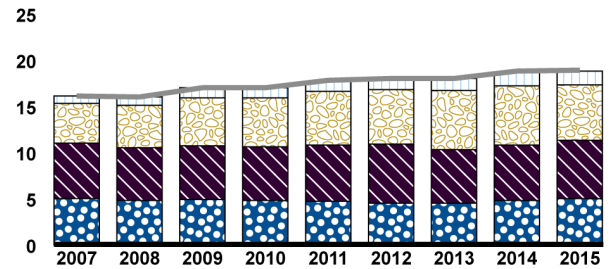
Percentage of management



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total minority	14.0	14.3	14.0	14.2	14.8	14.7	14.6	15.5	16.6
Other	0.8	1.0	1.1	1.1	1.2	1.3	1.4	1.4	1.6
Asian	4.6	4.5	4.5	4.6	4.6	4.9	4.4	4.7	5.2
Hispanic	4.5	4.9	4.6	4.7	5.3	4.6	4.9	5.6	5.9
African-American	4.1	3.9	3.8	3.8	3.8	3.9	3.8	3.8	3.8

250 – 999 employees

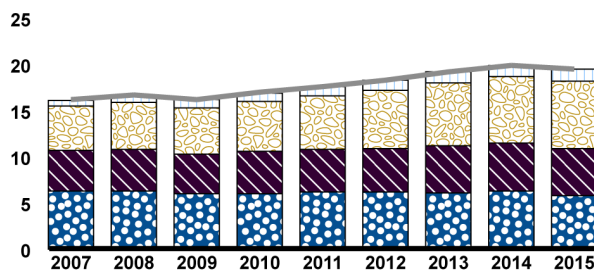
Percentage of management



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total minority	16.1	16.0	17.0	17.0	17.8	18.0	18.0	18.8	18.9
Other	0.8	0.9	1.1	1.1	1.1	1.2	1.3	1.5	1.5
Asian	4.3	4.6	5.2	5.3	5.8	5.9	6.4	6.4	6.0
Hispanic	6.0	5.7	5.8	5.8	6.1	6.4	5.8	6.0	6.3
African-American	5.0	4.8	4.9	4.8	4.7	4.5	4.5	4.8	5.0

1,000 – 4,999 employees

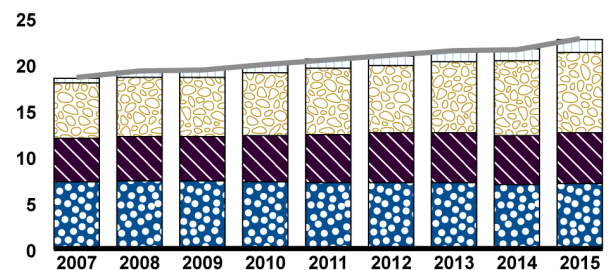
Percentage of management



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total minority	16.2	16.7	16.2	17.0	17.6	18.3	19.2	19.9	19.5
Other	0.6	0.8	0.9	0.9	1.0	1.1	1.2	1.2	1.3
Asian	4.8	5.1	5.0	5.4	5.8	6.3	6.8	7.2	7.3
Hispanic	4.4	4.5	4.3	4.6	4.6	4.7	5.1	5.2	5.1
African-American	6.3	6.3	6.0	6.0	6.2	6.2	6.1	6.3	5.8

5,000 plus employees

Percentage of management



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total minority	18.6	19.3	19.4	20.0	20.5	21.0	21.5	21.6	22.8
Other	0.5	0.7	0.8	0.9	1.0	1.0	1.2	1.3	1.4
Asian	6.0	6.4	6.4	6.8	7.2	7.3	7.7	8.1	8.7
Hispanic	4.7	4.8	4.8	5.0	5.2	5.4	5.4	5.3	5.5
African-American	7.3	7.4	7.4	7.3	7.2	7.2	7.2	7.0	7.1

Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Note: The "Other" category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native, and "two or more races."

Appendix III: Diversity in the Financial Services Industry by State, 2015

This appendix provides information on management representation in the financial services industry by state in 2015.

Table 1: Representation of Women and Men Managers and Minority and White Managers in Overall Management Positions in the Financial Services Industry by State, 2015

State	Total	Women	Men	Minority	White
Alabama	5,088	2,372	46.6%	2,716	53.4%
Alaska	540	324	60.0	216	40.0
Arizona	14,510	7,306	50.4	7,204	49.6
Arkansas	2,642	1,479	56.0	1,163	44.0
California	51,450	24,207	47.0	27,243	53.0
Colorado	8,944	4,143	46.3	4,801	53.7
Connecticut	18,444	7,974	43.2	10,470	56.8
Delaware	6,260	2,877	46.0	3,383	54.0
District of Columbia	2,293	988	43.1	1,305	56.9
Florida	28,551	14,405	50.5	14,146	49.5
Georgia	15,866	7,367	46.4	8,499	53.6
Hawaii	2,008	1,099	54.7	909	45.3
Idaho	938	505	53.8	433	46.2
Illinois	35,838	15,508	43.3	20,330	56.7
Indiana	7,643	3,745	49.0	3,898	51.0
Iowa	9,108	4,324	47.5	4,784	52.5
Kansas	5,359	2,483	46.3	2,876	53.7
Kentucky	6,123	3,357	54.8	2,766	45.2
Louisiana	3,379	1,857	55.0	1,522	45.0
Maine	2,546	1,426	56.0	1,120	44.0
Maryland	9,530	4,557	47.8	4,973	52.2
Massachusetts	25,210	10,687	42.4	14,523	57.6
Michigan	13,187	6,565	49.8	6,622	50.2
Minnesota	19,959	9,664	48.4	10,295	51.6
Mississippi	2,434	1,331	54.7	1,103	45.3
Missouri	12,974	6,213	47.9	6,761	52.1
Montana	758	434	57.3	324	42.7
Nebraska	4,697	2,193	46.7	2,504	53.3
Nevada	1,691	950	56.2	741	43.8
New Hampshire	2,488	1,235	49.6	1,253	50.4
New Jersey	27,495	10,996	40.0	16,499	60.0
New Mexico	1,367	833	60.9	534	39.1

Appendix III: Diversity in the Financial Services Industry by State, 2015

State	Total	Women		Men		Minority		White	
New York	84,008	30,489	36.3	53,519	63.7	22,021	26.2	61,987	73.8
North Carolina	20,971	9,001	42.9	11,970	57.1	4,205	20.1	16,766	79.9
North Dakota	1,119	634	56.7	485	43.3	85	7.6	1,034	92.4
Ohio	25,148	11,331	45.1	13,817	54.9	2,877	11.4	22,271	88.6
Oklahoma	3,881	1,989	51.2	1,892	48.8	592	15.3	3,289	84.7
Oregon	4,057	2,115	52.1	1,942	47.9	475	11.7	3,582	88.3
Pennsylvania	30,140	14,236	47.2	15,904	52.8	3,490	11.6	26,650	88.4
Rhode Island	3,655	1,795	49.1	1,860	50.9	351	9.6	3,304	90.4
South Carolina	5,745	3,073	53.5	2,672	46.5	1,201	20.9	4,544	79.1
South Dakota	1,905	968	50.8	937	49.2	71	3.7	1,834	96.3
Tennessee	9,304	4,545	48.8	4,759	51.2	1,297	13.9	8,007	86.1
Texas	41,372	19,391	46.9	21,981	53.1	12,697	30.7	28,675	69.3
Utah	5,281	2,031	38.5	3,250	61.5	550	10.4	4,731	89.6
Vermont	809	456	56.4	353	43.6	26	3.2	783	96.8
Virginia	13,588	6,626	48.8	6,962	51.2	3,181	23.4	10,407	76.6
Washington	6,944	3,699	53.3	3,245	46.7	917	13.2	6,027	86.8
West Virginia	901	522	57.9	379	42.1	23	2.6	878	97.4
Wisconsin	11,643	5,803	49.8	5,840	50.2	618	5.3	11,025	94.7
Wyoming	206	107	51.9	99	48.1	12	5.8	194	94.2

Source: Equal Employment Opportunity Commission. | GAO-18-64

Note: The data in this table include private sector firms with more than 100 employees and federal contractors with 50 or more employees.

Appendix IV: Diversity Trends in Degrees Earned and Nonmanagement Job Categories

This appendix provides additional information about the potential external and internal talent pools for the financial services sector. Table 2 includes information on the demographic characteristics of persons obtaining undergraduate-level and graduate-level degrees for the school years ending from 2011 through 2015. Tables 3 through 7 show the representation of various demographic groups working in the Professional and Sales job categories of the financial services sector from 2007 through 2015.

**Appendix IV: Diversity Trends in Degrees Earned and
Nonmanagement Job Categories**

Table 2: Percentages of Degrees Earned by Men and Women by Racial/Ethnic Group, School Years Ending 2011–2015

Degree type	School year ending	Women (percent)	Men (percent)	African-American women (percent)	African-American men (percent)	Asian women (percent)	Asian men (percent)	Hispanic women (percent)	Hispanic men (percent)	Other ^a women (percent)	Other men (percent)	White women (percent)	White men (percent)
Bachelor's	2011	57.6	42.4	6.6	3.4	3.8	3.2	6.2	3.9	1.3	0.9	39.7	31.0
Bachelor's	2012	57.6	42.4	6.8	3.5	3.8	3.2	6.5	4.2	1.5	1.0	39.0	30.5
Bachelor's	2013	57.6	42.4	6.7	3.6	3.8	3.2	7.0	4.5	1.7	1.2	38.5	29.9
Bachelor's	2014	57.6	42.4	6.6	3.6	3.8	3.2	7.4	4.8	2.0	1.3	37.7	29.5
Bachelor's	2015	57.6	42.4	6.5	3.7	3.8	3.2	7.8	5.1	2.2	1.5	37.2	28.9
Master's	2011	62.5	37.5	8.7	3.6	3.5	3.0	5.2	2.9	1.2	0.7	43.9	27.3
Master's	2012	62.2	37.8	8.9	3.7	3.6	3.1	5.4	3.0	1.4	0.8	42.9	27.2
Master's	2013	62.3	37.7	9.3	3.9	3.6	3.0	5.6	3.2	1.6	1.0	42.2	26.6
Master's	2014	62.3	37.7	9.4	4.0	3.6	2.9	6.0	3.4	1.8	1.0	41.5	26.3
Master's	2015	62.4	37.6	9.4	4.0	3.7	2.9	6.3	3.5	1.9	1.1	41.0	26.0
MBA ^b	2011	44.5	55.5	10.1	6.0	3.9	5.8	3.7	4.2	0.8	1.1	25.9	38.5
MBA	2012	44.8	55.2	11.0	6.4	3.9	5.8	4.0	4.4	1.1	1.1	24.8	37.6
MBA	2013	44.8	55.2	11.3	6.9	3.7	5.5	4.1	4.4	1.2	1.4	24.5	37.0
MBA	2014	45.0	55.0	11.2	6.7	3.6	5.3	4.3	4.8	1.3	1.4	24.6	36.8
MBA	2015	45.0	55.0	10.9	6.8	3.7	5.2	4.6	4.9	1.5	1.6	24.3	36.5

Source: GAO analysis of Department of Education data. | GAO-18-64

^aThe "Other" category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native and "two or more races."

^bMBA—Master of Business Administration.

**Appendix IV: Diversity Trends in Degrees
Earned and Nonmanagement Job Categories**

Table 3: Representation of African-American Women and Men in Professional and Sales Job Categories in the Financial Services Industry, 2007–2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
African-American women in professional (percent)	6.1	6.2	6	5.7	5.6	5.6	5.7	5.8	5.9
African-American women in sales (percent)	5.3	4.4	4.2	4	4.2	4.5	4.5	4.6	4.6
African-American men in professional (percent)	2.8	2.8	2.7	2.6	2.6	2.7	2.8	2.8	2.9
African-American men in sales (percent)	4.4	3.4	3.3	3.1	3.1	3.3	3.5	3.6	3.9

Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Table 4: Representation of Asian Women and Men in Professional and Sales Job Categories in the Financial Services Industry, 2007–2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Asian women in professional (percent)	4.3	4.4	4.3	4.4	4.5	4.5	4.6	4.7	4.9
Asian women in sales (percent)	3.3	2	2	2	2	2	2	1.8	1.9
Asian men in professional (percent)	5.2	5.3	5.2	5.4	5.6	5.7	5.8	5.9	6.1
Asian men in sales (percent)	3.8	2.7	2.5	2.7	2.6	2.6	2.6	2.5	2.5

Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

**Appendix IV: Diversity Trends in Degrees
Earned and Nonmanagement Job Categories**

Table 5: Representation of Hispanic Women and Men in Professional and Sales Job Categories in the Financial Services Industry, 2007–2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Hispanic women in professional (percent)	3	3	2.9	2.9	3	3.1	3.2	3.3	3.5
Hispanic women in sales (percent)	5.5	5.5	5.3	4.8	4.9	5.1	5.2	5.5	5.4
Hispanic men in professional (percent)	2.3	2.3	2.2	2.3	2.4	2.5	2.5	2.6	2.7
Hispanic men in sales (percent)	4.4	4.2	4	4.1	4.3	4.5	4.8	4.9	5.2

Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Table 6: Representation of Other Women and Men in Professional and Sales Job Categories in the Financial Services Industry, 2007–2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other women in professional (percent)	0.4	0.6	0.6	0.7	0.7	0.8	0.9	1	1
Other women in sales (percent)	0.4	0.5	0.6	0.6	0.6	0.7	0.8	1	1
Other men in professional (percent)	0.3	0.5	0.5	0.6	0.7	0.7	0.8	0.9	0.9
Other men in sales (percent)	0.4	0.5	0.6	0.7	0.7	0.8	0.9	1.2	1.2

Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Note: The “Other” category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native and “two or more races.”

**Appendix IV: Diversity Trends in Degrees
Earned and Nonmanagement Job Categories**

Table 7: Representation of White Women and Men in Professional and Sales Job Categories in the Financial Services Industry, 2007–2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
White female professional (percent)	38.6	38.5	38.7	38.3	37.7	37.4	37	36.7	36.2
White female sales (percent)	25.6	26.3	26.4	26.8	26.6	26.4	25.9	26.1	26
White male professional (percent)	36.8	36.5	36.7	37.1	37.3	37	36.7	36.5	35.9
White male sales (percent)	46.8	50.3	51.1	51.4	50.9	50	49.8	48.8	48.2

Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-18-64

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Daniel Garcia-Diaz, (202) 512-8678 or garciadiazd@GAO.gov

Staff Acknowledgments

In addition to the individual named above, Kay Kuhlman, Assistant Director; Lisa Moore, Analyst in Charge; Rachel Batkins; Ben Bolitzer; Mitch Karpman; Jill Lacey; May Lee; John Mingus; Tovah Rom; Kelsey Sagawa; Jena Sinkfield; and Tyler Spunaugle made major contributions to this report.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [LinkedIn](#), [Twitter](#), and [YouTube](#). Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#). Visit GAO on the web at www.gao.gov and read [The Watchblog](#).

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Orice Williams Brown, Managing Director, WilliamsO@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800, U.S. Government Accountability Office, 441 G Street NW, Room 7149, Washington, DC 20548

Strategic Planning and External Liaison

James-Christian Blockwood, Managing Director, spel@gao.gov, (202) 512-4707, U.S. Government Accountability Office, 441 G Street NW, Room 7814, Washington, DC 20548



Please Print on Recycled Paper.