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Rethinking capital markets

A RENEWED FOCUS ON SOCIAL MOBILITY IN FINANCIAL SERVICES

The industry will be coming under increased pressure to reprioritise socio-economic diversity and expand activity from access to progression

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> This report provides food for thought and action to challenge an industry at the early stages of acknowledging and addressing its lack of social mobility.

Introduction

Social mobility is moving up the political agenda, yet as a diversity and inclusion strand it is woefully under-examined, particularly in financial services. In this thought paper we discuss how and why there is a renewed focus on social mobility (or rather the lack of social mobility) in the finance sector. We aim to provide food for thought and action to challenge an industry at the early stages of acknowledging and addressing its lack of social mobility.

Much of the discussion and work undertaken thus far by financial services organisations on social mobility has been focused on access – that is, raising the aspirations of young people and increasing recruitment of those from lower socio-economic backgrounds. However, in this paper we focus on the issue of progression once an individual is inside an organisation. We will draw on the research of Sam Friedman and Daniel Laurison in their book, *The Class Ceiling*, as well as wider academic research.

This report uses our *Radical Actions* thought paper series as a framework through which we will explore the challenge ahead for socio-economic diversity in the financial services sector. We cover five areas:

- **Setting the scene**
  Where does the industry stand on social mobility right now and what pressures is it under to change?
- **Getting to grips with data**
  Gathering data on socio-economic background is problematic, but is moving up the agenda
- **The need for a wider business case**
  The business case for socio-economic diversity has not worked so far, so what needs to change?
- **Greater objectivity in people decisions**
  The need for a shift towards evidence-based decision-making for people decisions
- **Stepping up governance and accountability**
  Who is responsible for what, by when, and how are they held to account?

Definitions

When we talk about social mobility, we are fundamentally talking about class. But the terms upper class, middle class and working class are loaded with cultural connotations. In this thought paper we mainly reference socio-economic background and socio-economic diversity. We also reference the concept of the 'class ceiling' (akin to the glass ceiling) which refers to the often-invisible barriers to success that those from lower socio-economic backgrounds encounter in their careers, which stop them rising above a certain level in an organisation.

Acknowledgements

Our thinking has been influenced by what we have read, researched and experienced in recent years, and captures what we heard from New Financial members during our event series on different aspects of this topic. With thanks to our members and contacts, particularly Sam Friedman.

New Financial is a think tank that believes Europe needs bigger and better capital markets to help drive prosperity and growth.

We believe this presents a huge opportunity for the industry to embrace change and rethink how capital markets work.

We believe diversity in its broadest sense is not only an essential part of running a sustainable business but fundamental to address culture change.

We are a social enterprise that launched in September 2014. We are funded by institutional membership.

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1. Setting the scene

Most financial services organisations are in the early stages of understanding social mobility and those that do have a programme in place primarily focus on raising aspirations in schools through outreach schemes, as well as providing lower skilled entry level apprenticeship jobs. There has been little work to monitor and improve rates of progression.

While these efforts are valuable and overdue, these sorts of outreach and access schemes are not enough to drive a step change in social mobility. Unless financial services companies tackle culture and how they define merit, people from lower socio-economic backgrounds will continue to struggle to reach the top ranks.

This is clearly shown in recent research on socio-economic diversity in financial services from Bridge Group, a UK non-profit consultancy that focuses on social equality. Based on both quantitative and qualitative data from eight participating firms, the research found:

- 51% of respondents at all levels of seniority were from a higher socio-economic background (as defined by parental occupation). This compares with 33% of the wider working population.
- 16% of the survey respondents attended an independent school – more than twice the national figure of 7.2%.
- Among junior employees, 47% were from a higher socio-economic background by parental occupation; and 11% were educated at an independent school.
- For senior level employees (senior manager and above), this rises to 89% and 25% respectively.
- 43% of senior roles were occupied by white men who attended an independent or selective state school.
- Employees from lower socio-economic backgrounds took 25% longer to progress through grades. This progression gap increases to 32% when considering those from lower socio-economic backgrounds who also identify as Black.
- This progression gap cannot be explained by performance. There was no statistical evidence to link performance with socio-economic background.
- Those from lower socio-economic backgrounds frequently expressed that they spend time and effort on assimilating to dominant higher socio-economic cultures. This is likely to have serious implications for individual and organisational productivity, and wellbeing.

The findings are stark, but perhaps not surprising. We have very little evidence that the financial services industry is interested in progression issues for employees from lower socio-economic backgrounds. For example, only 18% of participants in the 2020 Social Mobility Employers Index were from the financial sector, compared to 30% from law. Three regulators, one retail bank, three investment management firms and one anonymous participant took part in the research – compared to eight well-known global law firms that took part in the Bridge Group's similar research on the legal sector.

Why is social mobility so hard to crack?

There are several reasons why financial services employers have so far had a limited focus on social mobility.:

- **It's difficult to talk about class:** Class is a very touchy subject and it is not widely understood. Class is not just about money, it touches on fundamental aspects of our identity, our origin stories and the way we have been raised. The concepts of privilege and meritocracy are also highly sensitive – people feel threatened by the implication that they did not get to where they are in their lives entirely on their own merit. It can feel rude, even taboo, to air the topic openly. This is made harder because many of us downplay our backgrounds in professional lives to fit in. Depending on the culture of an organisation, we may not mention our public-school education or the help we had getting a first job. Or we may not tell our colleagues that we grew up on a council estate or that we were the first in our family to go to university. And we may also mistakenly (and commonly) think that our own background is less privileged than it actually is.

- **A lack of data:** There is a chicken and egg situation with data on social mobility, as there are with many diversity strands that require employees to share their personal information. It is not possible to show that there is a problem with progression in a particular firm unless that firm has good quality data, but taking on a substantial data gathering exercise requires significant motivation and allocation of resource. Despite extensive academic and government work on this in the UK, many firms are still unsure what data points they need to collect or how to analyse that data once they have it.

- **Not a legal matter:** There is no legal push to make businesses care, as it is not illegal to discriminate against someone on the basis of their class – socio-economic background is not included as a protected characteristic in the Equality Act 2010, unlike age, disability or sex. And while there have been calls for class pay gap reporting, there is little sign of it materialising any time soon.

- **International workforce:** According to the January 2020 report from the Financial Services Skills Taskforce, 28% of the City of London's workforce is from outside of the UK; for many companies that proportion is likely to much higher. Different societal and cultural reference points due to geography makes measuring harder. And for global firms, even if class is considered an issue worthy of attention in the UK workforce, it may be less salient in other regions.

- **The meritocracy myth:** As with many aspects of diversity, there is a general lack of belief that a problem exists. There is a widespread misconception that the industry hires and promotes solely based on ability and that the best will always rise to the top, regardless of sex, skin colour, status or creed. In the absence of data, anecdote abounds – everyone can point to at least one example of an individual they know from a lower socio-economic background who has succeeded, and this is perceived as evidence of meritocracy. This in turn fuels the focus on education as the key to success for those from lower socio-economic backgrounds, and corporate programmes stick to access rather than progression issues.

As a result, diversity and inclusion leaders have struggled to make a case to prioritise social mobility in a firm's D&I strategy. Increasing representation of women is the primary focus, then ethnic minorities, then often sexual orientation and perhaps disability. For some, social mobility is seen as an area that runs within strands rather than being a standalone issue. This means visibility of commitment is low and/or seen as a predominantly entry-level activity that is positioned within corporate social responsibility programmes.

However, as other sectors are beginning to make progress on social mobility, for example in the legal sector and accountancy, we are beginning to see green shoots of activity in the financial services sector. And the financial services industry is about to come under some serious pressure to step up.

A rapidly evolving backdrop

So much has changed around the stakeholder context of diversity and inclusion over the past year. Not only has the Covid crisis up-ended traditional ways of working, it has also disproportionately impacted people from Black, Asian and minority ethnic communities, part-time workers, women and those from lower socio-economic backgrounds.

Against this backdrop, the growing strategic importance of social mobility has risen up the agenda for key external stakeholders – including government, regulators and social mobility advocates. Examples include:

- **Government:** In December 2020, Liz Truss (International Trade Secretary and Minister for Women and Equalities) in her speech at the Centre for Policy Studies announced the launch of a new Equality Hub. It will bring together the Disability Unit, the Government Equalities Office, the Race Disparity Unit and the Social Mobility Commission. In addition to race, sex, disability and religion, it will now also look at issues around geography, community and socio-economic background.

- **HM Treasury and BEIS:** In November 2020, HM Treasury and the Department for Business, Energy & Industrial Strategy launched a new Social Mobility Taskforce to improve socio-economic diversity at senior levels in financial and professional services across the UK. The taskforce will be independent, run by City of London Corporation over the next couple of years, and with its senior level focus it will crucially be tackling progression issues.

  John Glen, City Minister and Economic Secretary to the Treasury, said: "*We're entering a new chapter for UK financial services and it's vital that firms have the right leadership to grasp the opportunities ahead. That means taking action to ensure that talented people from all backgrounds and parts of the country can reach their full potential. By breaking down socio-economic barriers to progression, our financial services sector will become more innovative and competitive, and help to level up the UK.*"

  The taskforce has three objectives:
  1. To lead an industry consultation on how government, regulators and sector bodies can incentivise firms to take action to improve socio-economic diversity;
  2. To create a membership body for financial services, where employers can benchmark against each other and share best practice;
  3. To assemble a productivity analysis that builds the business case for increasing socio-economic diversity at senior levels.

- **Regulators**: Social mobility is moving up the agenda for UK financial regulators, in particular the Financial Conduct Authority. In 2018, the FCA added social mobility to its top three diversity priorities. It has signed the Social Mobility Pledge and is ranked 27th in the 2020 Social Mobility Employer's Index (it ranked 23 in 2019, up from 37 in 2018).

  In January 2021, Georgina Philippou was appointed the Senior Advisor to the FCA on Public Sector Equality Duty, which indicates that activity is only going to increase – perhaps even collection of diversity data from regulated firms could be coming down the line. The FCA has also encouraged regulated firms to consider vulnerable consumers in response to the pandemic, for example, in February 2021 it published new guidance to help firms do more for vulnerable consumers.

  It is also interesting to note that Andy Haldane, Chief Economist of the Bank of England, is leading the Social Mobility Taskforce's workstream on building the business case. Regulated firms ought to take note – we have already seen how both the FCA and Bank of England's internal approach to diversity and inclusion has begun to influence regulatory discussions.

- **Investors**: Investor demand for environmental, social and governance (ESG) data, including diversity data, has rocketed since the onset of the pandemic, and we are seeing signs of far closer scrutiny of human capital management which has previously been under-served. There are early indications that social mobility is beginning to feature in the ESG space, particularly in relation to company engagement in CSR. A strong ESG proposition can create value for firms, including the relationships they have with the communities in which they are based.

  In March 2020, Schroders published an article *A new social contract - sustainable investing during the Covid-19 crisis* that said: "The companies receiving support must demonstrate the strength of their social contract with stakeholders. If investors are demonstrating flexibility, company executives should do the same in how they treat employees, suppliers and customers alike. We will be watching closely and actively engaging where necessary."

To demystify and break down what has previously been perceived as a difficult area for firms, there is a growing body of high-quality research, information and practical materials freely available to support social mobility efforts:

- **Research on the impact of Covid**: A growing body of research shows the disproportionate impact of the pandemic restrictions, curtailed economic activity, school closures and the disease itself on people from lower socio-economic backgrounds. In the context of the workplace:

  - The Sutton Trust's July 2020 *Impact Brief* reported on how opportunities for young people to get experience of the workplace have been impacted considerably by the crisis. Only about a third of firms continued all their usual placements either in person or online.

  - The Sutton Trust's April 2020 report *Social mobility and Covid-19: Implications of the Covid-19 crisis for educational inequality* urged companies to double down on social mobility efforts: "When opportunities are sparse, it is likely to be those from poorer backgrounds who suffer, as opportunities are kept close to those with resources, contacts and know how. In the coming months and years, interventions to promote and protect social mobility in the job market will be vital. The Trust would encourage all employers to keep this in mind, and use best practices in their recruitment practices, including contextual recruitment and paid fully advertised internships, wherever possible."

- **Employer toolkit:** The Social Mobility Commission produced a new sector-specific toolkit last year that provides valuable insights into how to drive socio-economic diversity in financial services. It was assembled over months of consultation with trade bodies, academics, law firms, accountancy firms, management consultancies and financial services companies. It provides detailed, practical guidance on areas such a measurement, data, culture and leadership and progression.

This changing external stakeholder context is increasing pressure on financial services companies to reprioritise social mobility. The excuses for doing little are diminishing.

2. Using data to drive social mobility

The financial services industry is all about numbers, yet few firms apply even a fraction of the analytical rigour to their people data compared to their product and market data – and this is even more acutely the case when it comes to data on socio-economic diversity. Measuring the socio-economic background of employees and potential recruits is the critical first step to developing a strategy and action plan.

But unlike areas such as sex, ethnicity, sexual orientation and disability, far fewer financial services firms collect social mobility data compared to other sectors, including law and accountancy. Law firms are already obliged to provide workforce diversity data (including three questions on socio-economic background) to the Solicitors Regulation Authority every two years. The latest research from Bridge Group on social mobility in financial services called for regulators to incentivise data collection within the sector to enable more robust reporting. Only 18% of participants in the 2020 Social Mobility Employers Index were from the financial sector compared to 30% from law.

As well as a lack of regulatory pressure, other barriers to collecting social mobility data have centred on an unease about the subject generally, coupled with a lack of clear guidance as to what data to collect. Clunky HR systems and the global nature of large organisations pose additional barriers. If systems are difficult to use, or if head offices do not understand why social mobility data is important to the business, individuals will not be encouraged to share their data and even if they are willing to do so.

High quality data is the key to unlocking understanding of the current workforce. But measures of social mobility are more complex than other diversity strands and require multiple imperfect data points. This poses problems for a data-driven industry that is growing accustomed to increasingly granular and accurate data on female representation, and for some firms ethnic minority representation. While firms are uneasy acknowledging imperfect and incomplete data, particularly at the beginning of collecting social mobility information, the data can provide indicators of where to focus resource and attention.

A data driven approach could also help dispel myths and assumptions surrounding social mobility. For example:

- **Staff will not share their data:** Organisations will not know for certain if this is the case unless they try. And like the evolution of other diversity strands (such as ethnicity, disability and sexual orientation), it will take time for people to trust how their data is going to be used. It is common for response rates to be low at first, and then increase each year. Indeed, levels of "prefer not to say" (PNTS) responses provide a key performance indicator to measure how trust in the data collection process is developing.

- **The problem with race is really class**: A quick trawl through the comments section of any new story related to racism at work or lack of inclusion of ethnic minority staff always reveals a common response: "We don't have a race problem, we have a class problem". Without data, it is impossible to gain insight into the different and cumulative barriers that might be faced by individuals who overlap multiple diversity strands.

- **Oxbridge is best**: Education is a key indicator of socio-economic background. New Financial's report on *A forensic approach to diversity data* included an example of a firm that set out to test whether Oxbridge alumni outperform. The firm said: "Our management has a strong bias towards Oxford and Cambridge graduates, so we tracked our graduate intake by which university they went to. The data showed that after 12 months, Oxbridge grads received high performance ratings but flatlined quickly, at 18 months others also took off and over time they outperformed Oxbridge counterparts."

Opening the door to data

There are signs that the tide is turning on the industry's reluctance to collect socio mobility data. As mentioned above, the Social Mobility Commission toolkit developed specifically for the financial services sector provides clear guidance on what questions should be asked and how to encourage people to share their data.

The biggest factor that is driving change has been the impact of Covid on the diversity data agenda. During the pandemic, firms began to incorporate new datapoints into dashboards – such as caring responsibilities and underlying health conditions. In response to the murder of George Floyd and Black Lives Matter protests, firms also started to collect ethnicity-related data. The crisis provided a platform for trust to be developed between individual team members and their organisations. Whereas previously team members may have been reluctant to share personal data, the crisis compelled them to do so.

In summary, data is key to driving informed and sustainable change. There is now more high quality, tried and tested, sector-specific guidance available and a more advanced discussion between firms and employees regarding why and how personal data is used. Together, these provide a solid foundation upon which firms can start collecting and analysing social mobility-related data.

3. Updating the business case for socio-economic diversity

How the business case for diversity is framed and discussed (and by 'business case' we meant the strategic reasons why a firm should engage with the diversity and inclusion agenda) needs an update. Clearly, the case for socio-economic diversity has not landed thus far, otherwise we would have seen more action from companies.

There are good business reasons for financial services organisations to start a conversation about class and to take action to increase social mobility. Many of the arguments for boosting social mobility are similar to the drivers for improving diversity more generally:

- **Attracting new talent:** It is essential that the sector remains relevant to potential new entrants by positioning itself as providing meaningful and fulfilling career destinations. Younger workers care about diversity and inclusion issues. Companies can gain a competitive advantage by showing that they are inclusive employers by hiring and promoting people from lower socio-economic backgrounds.

- **Counting the cost of inaction:** Financial services companies are already losing talented employees by not focussing on progression issues, and the cost of attrition will only rise with increased hiring of candidates from lower socio-economic background at entry levels. Evidence from the legal sector suggests that people from lower socio-economic backgrounds are more likely to leave elite organisations than their privileged peers. Given the expense of recruiting staff, it seems peculiar that financial services employers would ignore the factors that cause individuals from lower socio-economic backgrounds to leave their organisations in higher numbers.

- **High-quality employees:** There is academic research showing that students from lower socio-economic backgrounds make excellent employees for financial services companies. In her book *Pedigree*, Lauren Rivera describes research that found employees from lower SEBs tend to enjoy the work more than privileged peers, are more likely to sacrifice their own desires for the wider group, tend to be better listeners, and tend to be able to read emotions more accurately – all useful traits for client service work.

- **Boosting financial inclusion:** An increase in the number of people from lower socio-economic groups could also help financial organisations create new products and reach new customers – and avoid slip ups. For instance, the UK Government's policy of auto-enrolment has compelled 11 million employees to either join a pension scheme for the first time or save more. Asset managers with greater socio-economic diversity across their workforce may have more success catering to and capturing these new clients and designing products that are attractive and appropriate to their needs.

- **Staying ahead of regulators:** As mentioned above, the FCA and the Bank of England are increasingly focusing on the socio-economic background of their own staff. As we have seen with other diversity strands, this implies their direction of travel. There are already signs that they are seeking to use their influence and convening power to encourage regulated firms to prioritise social mobility. Additionally financial regulators have the powerful example set by the SRA requiring diversity data disclosure.

- **Reshaping corporate values and purpose:** The pandemic has shown us that businesses not only need to invest in structures and processes that deliver operational improvements, boost innovation or effect efficiency gains – they also need to make an organisation more resilient to disruption. The financial services sector needs to look and sound like the people it serves to develop trust and connection with clients. Doing more to employ people from lower socio-economic backgrounds could considerably boost the image and rebuild public confidence in the sector, particularly as the financial services industry has an outsized impact on the UK economy.

It is heartening that one of the workstreams of the Social Mobility Taskforce will focus on articulating the business case for greater social mobility inclusion with financial services. As Catherine McGuinness, Policy Chair of City of London Corporation and one of the taskforce sponsors states: "There is a clear business – as well as moral – case for improving diversity across the sector".

It is crucial that we learn from has and has not worked regarding the classic business case for diversity and think carefully about how it can shift mindsets. If the business case for social mobility inclusion is going to drive change, it needs to be linked directly with a firm's strategy, mapped across to data, focused on the individual rather than just the organisation and adjusted to speak to different audiences, paying particular attention to middle managers. Answering the question: "Why bother?" is absolutely vital to inspire people at all levels to bring about sustainable change.

4. Shifting to evidence-based decision making for people

Rather than leaving inclusion to chance (i.e. depending on the goodwill and commitment of individuals), inclusion needs to be built into the processes and systems that underpin culture and how things get done. We argue that building in ongoing nudges and pauses to everyday processes and decision-making moments can make the difference in embedding sustainable change.

The social mobility progression discussion is challenging and goes to the very heart of the widely held view of the industry, companies and individuals that the financial services sector is a meritocracy. While hard work, educational achievements and intelligence do play an important part in getting ahead, much of what is routinely categorised as 'merit' in elite occupations is impossible to separate from other socio-economic factors.

In the book *The Class Ceiling*, the authors discuss the concept of the 'following wind' of privilege. This is the lingering effect that privilege has on sweeping forward the careers of those from advantaged backgrounds, for instance providing them with access to work experience through family friends, teaching them how to make small talk to impress a boss or what suit is appropriate for a job interview.

This also covers the inheritance of cultural capital which reinforces class privilege. Children of educated upper middle-class parents reflect certain dispositions many of which are embodied (accent, gesture, posture, styles of dress) and a propensity for 'symbolic mastery' (use of language, grammar, elaborate vocabulary). The authors write: "It is much harder to detect the intergenerational transfer of cultural capital [than social or economic capital] and therefore we tend to (mis)read it in everyday life as a signal of a person's natural sophistication…or even innate intelligence."

Those without "following wind" often feel they are fighting a "headwind" when trying to progress their career due to a lack of inherited social capital. They are largely unaware of the social codes and behaviour that are necessary to get ahead. They also struggle to access and build the professional network necessary to progress because they lack affinity bias – the common reference points that draw people together and become the foundation of working relationships. Lack of connection with peers and seniors makes it even harder to find sponsors – senior employees who will actively advocate for an up-and-coming colleague – that are vital to winning plum work assignments and promotions.

We argue that shifting to evidence-based decision making for people decisions benefits all under-represented groups, particularly those from lower socio-economic backgrounds. Opaque recognition, promotion and reward systems that commonly underpin organisational processes and policy, make it so much harder for people without a 'following wind' to move through the ranks. Making explicit those unwritten rules goes some way to levelling the persistently uneven playing field that remains a key barrier to progression.

New Financial's *Diversity in Portfolio Management* research provides evidence of the 'headwind' at play in financial services. Our qualitative research found a strong perception that the way an individual presents themselves is key to getting ahead. Effectively, a middle-class persona is conflated with merit and for being a high performer. As one portfolio manager told us: "Career progression is not solely tied to merit but is also based on ability to fit a narrative of how a 'portfolio manager' should act/ talk/ present him/ herself".

The financial services industry is not yet at the stage of being able to dismantle the meritocracy myth – either in terms of the required dataset to underpin debate and refute received wisdom, or in the maturity of the social mobility discussion. We are hopeful that this renewed focus on social mobility could at last provide the platform to discuss the misrecognition of merit more widely.

5. Stepping up governance and accountability

The financial services sector has been working towards becoming a more diverse and inclusive for many years. When businesses see a problem, the immediate reaction is to throw (some) money at it. Hiring a head of diversity, or beefing up an existing team, or expanding someone's job title has been a common response to the increased pressure on financial services organisations to shift their numbers. But it is no longer enough to delegate responsibility for creating a diverse and inclusive culture to HR, D&I teams or to employee networks.

As we can see from the Women in Finance Charter Annual Reviews, progress is slow and demands perseverance and oversight. We have all heard the varied arguments for why diversity should matter – but what are the consequences of not taking action to promote a diverse workforce? Who is responsible, for what, by when, and how are they held to account?

Again, the social mobility agenda can learn from what has (and has not) worked for the women's agenda. For the sector to truly become inclusive of people from different socio-economic backgrounds, clear governance and a framework of accountability is crucial. By this we mean:

- there is leadership from the very top of an organisation, with progress linked to performance and reward;
- accountability is cascaded to directors and heads of departments and they are explicit in giving permission to their direct reports to spend time on social mobility inclusion;
- ensuring that line managers understand their role in fostering a sense of belonging in team members and are equipped to do so;
- those who oversee the key levers of change (eg. those that design and implement HR policies, communication and recruitment campaigns, risk frameworks, client relationship strategies) execute with diversity and inclusion in mind.

In short, sustainable progress will only occur when social mobility inclusion is baked into the how an organisation functions and how individuals within them succeed. It can no longer be a voluntary, side of desk activity where people from under-represented groups are expected to do the heavy lifting of making change happen.

Only when there are consequences, both for those who participate and for those who do not, will we see the sector become more inclusive of people from under-represented groups, including lower socio-economic backgrounds.

Conclusion

Here are our top five takeaways from this report:

- **Pressure is mounting:** The Bridge Group research clearly lays bare the lack of socio-economic diversity across the financial services workforce. Regardless of whether companies care about it or not, the UK government wants to see change and the industry's regulators are keen to lead by example. The newly launched socio-economic diversity taskforce and the recent work by advocates focusing specifically on financial services will make it increasingly harder for firms to refuse to get involved.

- **Resources are out there:** While social mobility remains an under-examined diversity strand, there is no need to start afresh. There are plentiful resources freely available to inform and guide targeted action and organisations' work on social mobility can learn from the successes and failures of more established diversity priorities.

- **Demand for data:** Yes, asking employees to share sensitive personal information is hard. The work of what and how to ask has been done, now it is up to companies to implement data collection campaigns. Progressive firms have already begun the slog of building detailed data sets, putting them on the front foot should any form of mandated diversity disclosure emerge from the taskforce's discussions with regulators.

- **Meritocracy is a myth:** This is a challenging conversation that needs to be had. The financial services industry largely insists that hiring and promotion is 100% meritocratic, and that the best will always rise to the top regardless of their background. If we assume that talent is randomly distributed across the population, the Bridge Group's research refutes the existence of a genuine meritocracy. Sam Friedman's research exposes the misrecognition of merit – where indicators of merit are routinely mistaken for traits and behaviours that are actually the result of inherited economic, cultural and social capital rather than true high performance.

- **The silver lining of Covid:** As with the diversity and inclusion agenda as a whole, the pandemic has provided an opportunity to reprioritise social mobility. Employees have grown more accustomed to sharing personal information, which should boost data collection. Traditional ways of working have been up-ended, allowing (indeed, compelling) a rethink on the structures and processes that guide hiring and promotion decisions. Greater objectivity and transparency around people decision-making will benefit those from lower socio-economic backgrounds – and all employees worth their salt.

Now is the time for the financial services industry to renew its focus on social mobility inclusion. The foundation is in place to support activity, whether that be high quality guidance on implementing programmes, growing regulatory pressure or the socio-economic diversity taskforce that will focus specifically on the sector. One by one the barriers and excuses for inaction are being eroded. The financial services industry has an opportunity to demonstrate its purpose and relevance as firms and individuals embark on their post-Covid recovery – social mobility should be an integral part of that discussion and consequent actions.

About New Financial

New Financial is a think tank and forum that believes Europe needs bigger and better capital markets to help drive its recovery and growth. We believe diversity in its broadest sense is not only an essential part of running a sustainable business but fundamental to address culture change.

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Additional resources

Research

- The Bridge Group: *Who gets ahead and how – socio-economic background and career progression in financial services: a study of eight organisations*, November 2020
- The Sutton Trust: *Social mobility in the workplace – an employer's guide*, July 2020
- The Sutton Trust: *Covid-19 impacts – access to the workplace*, July 2020
- New Financial summary of *The Class Ceiling* by Sam Friedman and Daniel Laurison, 2019

Social mobility initiatives

- Social Mobility Employer Index
- Social Mobility Pledge
- Socio-economic diversity taskforce

Guidance on action to support social mobility

- The Social Mobility Commission: Social Mobility Toolkit for financial services
- Civil Service: Measuring socio-economic background in your workforce, May 2018