

DIVERSITY IN FINANCIAL SERVICES



The importance of greater diversity in the finance sector, and how to achieve it

The debate surrounding diversity within the financial services sector, or lack thereof, has been raging for some time.

It raised its head once again this month when the Prudential Regulation Authority, Financial Conduct Authority and Bank of England announced jointly that they would be issuing a **Discussion Paper** to explore how to foster “a resilient financial services sector, which brings together and responds to different views and perspectives, so that concerns can be raised and decisions are challenged effectively”.

Reports such as this tend to evoke mixed reactions; certainly within me, at least. While it is positive that action is being taken to address the issue around diversity in the world of finance, it is also questionable how much progress can or will be made through the production of a new report. *Is it just a PR exercise? Or will this action spark meaningful change?*

I look to data regarding the **Women in Finance** charter as an example of my concerns. Hundreds of firms – including well-known banks and lenders – have committed to the voluntary charter, which looks to establish targets around gender representation and pay. However, the charter’s latest annual review from this year tell us that female representation in senior management positions at participating businesses stands at just **32%**, which represents a year-on-year increase of **less than 1%** since 2017.

Senior management positions:

32%



Women



Men

68%



Action must be taken

Those figures go some way to illustrating the action that must be taken. Women, for one, are not represented within the upper echelons of finance companies, nor does their pay match that of their male counterparts.

The issue becomes even more pronounced when we look at ethnic minorities. A major study in 2018 titled **Paying Attention** found people from the BAME community (this is the term used within Randstad's report, though it must be acknowledged that it is a matter for debate) currently hold fewer than one in ten management jobs in UK financial services.

This is simply not good enough and more must be done.

There are various reasons why. Most importantly, we must create industries – as well as individual workplaces – wherein employees feel comfortable, supported, and able to progress irrespective of their culture, gender, ethnicity or background. That is a fundamental right that has to be championed.

The benefits will follow. For example, the aforementioned Randstad report suggested that the UK economy would benefit to the tune of £24 billion if ethnic minorities progressed in their careers as the same rate as their white colleagues. Meanwhile, the consultancy McKinsey has produced **data** showing that businesses which rank highly for ethnic diversity were 33% more likely to achieve above average profits.

These percentages and monetary figures can seem both crude and reductive in the wider debate surrounding diversity in the financial services sector. I believe it is best to view the issue from the perspectives of individuals and teams.



Creating inclusive, supportive cultures

As noted above, my stance is that businesses must strive to create inclusive and supportive environments for people to work. Not with a view to boosting productivity or profit (even if studies show that this will come), but simply because that is what staff deserve. Indeed, it stands to reason that employee retention and productivity will be higher if they are working within a team that encourages them to express themselves and celebrate their backgrounds.

This has certainly been our experience at Market Financial Solutions, where we are extremely proud of our diversity. Our team of over 50 employees is almost an even split between men and women, with the latter making up **62%** of the management team. Moreover, **42%** of our staff are from ethnic minority backgrounds – they are represented among our founders, directors and senior managers.

Throughout the pandemic, the diversity of our team has been a source of real strength. For example, it has enabled us to take more creative and innovative approaches to the multitude of challenges Covid-19 has presented – this would have been less likely if our team, and particularly the leadership group, came from a narrow range of backgrounds.



Embracing diversity

How do you create diverse teams? That is the question.

There are practical steps that can be taken. Anonymising CVs when recruiting is one. Setting targets for ensuring more diverse representation across the workforce is another.

Perhaps more importantly, though, is establishing the right culture. For instance, that might mean allowing flexible hours for parents needing to drop-off or collect children from school, or enabling celebrations of a wider range of religious holidays as a team – like Ramadan and Diwali, not just Christmas. It will mean challenging the language that is used in the workplace, and perhaps undertaking education (formal or in a social setting) to improve knowledge of different cultures, ethnicities or the challenges that certain people face in a professional setting.

Ultimately, it is for each business to strive to do better. MFS is aware that it cannot be complacent – there is still much more to be done.

Reports and charters can be useful in both raising awareness of issues surrounding a lack of diversity in the finance industry, as well as providing advice for how to tackle the problem. But employers cannot and should not wait for others to pave the way – I believe all business leaders must have honest and frank internal conversations to consider what more can be done to improve diversity and foster cultures that truly promote inclusivity and equality.



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