Financial Services Skills Commission

Collecting Socioeconomic Background Data – Best Practice for Financial Services Firms

September 2022

1. Why is the Financial Services Skills Commission looking at Diversity and Inclusion?

The Financial Services Skills Commission (FSSC) was established to work directly with the sector and advocate for innovative collaboration to ensure that businesses have the talent and skills it needs for the future. We are committed to improving the sector's ability to secure the skills and talent needed for the future and are working with members to enable firms to not only attract talent but also retain and support employees to progress through their career.

2. The current landscape

In recent years, efforts to understand and improve diversity and inclusion have become core to a business's purpose and function. While progress is being made, organisations are still looking for the best way to approach data collection, reporting and evaluation, and how to translate these findings into tangible actions.

Understanding an individual's socioeconomic background has become increasingly important as organisations look to further understand the make-up of their workforce. Yet very few firms are actively measuring it. Based on our 2021 Member Survey, while all members who responded measured inclusion in 2021, less than 15% of them measured socioeconomic background of employees.

The regulators' discussion paper published in July 2021[1] further signals a need for businesses to start the journey of collecting this data alongside the protected characteristics. There are clear business and societal cases for this move including the potential impacts on the diversity of thought, inclusivity within organisations and firms' ability to attract, retain and progress talent.

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[1] Bank of England, Prudential Regulation Authority and Financial Conduct Authority, Diversity and inclusion in the financial sector – working together to drive change discussion paper DP21/2 (2021)

3. Why is it important to understand socioeconomic background of your workforce?

It is vital that the industry tackles the issue of socio-economic diversity at senior levels across UK financial services if we are to attract and retain the necessary skills and talent the sector requires to remain diverse, inclusive, and globally competitive.

Research by the Bridge Group[2] based on eight financial services firms found that 9 in 10 senior roles are held by people from higher socioeconomic backgrounds, compared to 1 in 2 UK CEOs and 1 in 3 across the UK working population. This implies the sector is significantly reliant on individuals from higher socioeconomic backgrounds at leadership level.

The Bridge Group research also identified a 'progression gap'. Those employees from a lower socioeconomic background progress 25% slower than peers without any difference in job performance. This slowing of progression rises to 32% for employees who also identify as Black. Employees from a lower socioeconomic background reported to be 'exhausted' by conforming to dominant cultures which impacted on their individual performances.

The socioeconomic background dataset also helps organisations to understand its impact on access to talent and skills. The class pay gap report found a £17.5K gap in financial services compared to £5k in the technology sector[3], implying a risk that high performing talent will migrate to other more inclusive sectors and the skills gaps in financial services could worsen.

The impact on career progression and talent upskilling is also apparent. The Social Mobility Commission found that individuals from a lower socioeconomic background were less likely to sign up to training opportunities. Similarly, research study in the legal sector found that individuals educated in the state schools were 75% more likely to be in the top 10% performers but tend to take 18 months longer to progress to the same level[4].

Collecting socioeconomic background data enables firms to identify these links to make meaningful interventions. Data collection can support greater representation and improve attraction and retention of talent and skills to drive sustainable growth.

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4. How do you measure socioeconomic background?

Social Mobility Commission's [Financial and Professional Services Toolkit] provides guidelines on the questions to be asked when collecting socioeconomic background data. This was also the source of our questions on socioeconomic background when we ran the largest sector survey in the UK on inclusion (the survey and its findings were published in February 2022 and the report can be found [here]).

An essential question which organisations should ask their workforce to help better understand their socioeconomic background make-up is:

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[2] City of London Corporate and Bridge Group, [Who gets ahead and how? Socioeconomic background and career progression in financial services: a study of eight organisations] (2020)

[3] Social Mobility Commission, [Social Mobility, the Class Pay Gap and Intergenerational Worklessness: New Insights from The Labour Force Survey] (2017)

[4] Bridge Group, [SQE: monitoring and maximising diversity] (2020); Bridge group, [Socio-economic Background and Early Career Progression in the Law] (2018)

"**What was the occupation of your main household earner when you were about aged 14?**"

This question is used in the Labour Force Survey to generate cross-sector comparison and analysis. This is also an internationally comparable question and can be applied to all age groups within an organisation.

Optional / additional questions are listed below, and more details can be found in the Toolkit which deepen understanding of workforce and offer different angles to understand economic advantage/disadvantage.

- Which type of school did you attend for the most time between the ages of 11 and 16?
- If you finished school after 1980, were you eligible for free school meals at any point during your school years?
- Did either of your parents attend university and gain a degree (e.g., BA/BSc or equivalent) by the time you were 18?

Another useful source is the Social Mobility Employer Index which is a benchmark measure aimed to improve social mobility that ranks UK's employers on the actions they take to ensure access and progression of talent across all socioeconomic backgrounds. It offers the opportunity to compare firm position with their peers and the survey used can be found in its appendix.

5. What are the enablers to measurement?

Alongside the practical approaches which these tools offer, it is important that firms approach measurement of socio-economic background in the right way. Our conversations with members highlight some key enablers which include:

- **Senior sponsorship:** having senior leaders being advocate of the initiative is key to ensure messages are cascaded down throughout the organisation.
- **Survey design** which incorporates best practice questions available across established resources is important as results can be benchmarked with the industry and peers. Organisations also need to ensure they only ask questions which are important to drive positive change.
- **Simplified process** enables better employee completion rate.
- **Roll out plan:** organisations might want to pilot data collection with a small business population before the whole workforce to allow room for improvements.
- **Effective communication:** it is important to bring employees on the journey, so they understand what data is being collected and why their employers are interested in such data. It is critical not only to share the output, but also what changes their data will help inform. This will ensure employees are willing to continue sharing their data in the long term.

6. FSSC Member case study: Phoenix Group

Phoenix

Phoenix Group is the largest long-term savings and retirement business in the UK and has more than 7,000 employees across UK and Europe serving c.13 million customers.

Phoenix Group was ranked as one of the top 75 employers in the [Social Mobility Employer Index in 2021](). Building on its success in [collecting and reporting data on gender]() and increasing female representation at senior grades, Phoenix Group looked to drive forward their DE&I agenda in 2021 by understanding more their colleagues, including their socioeconomic background. The aspiration of this data collection initiative was to gather a holistic, organisation-level view of colleagues to understand its makeup, inform their DE&I strategy, identify potential barriers to progression, and make the organisation as inclusive as possible.

Approach & success factors:

- **Senior sponsorship:** The initiative was **sponsored** by the **Group CEO, Group HR Director** and **Group COO** and led by the Mosaic Network, one of the nine colleague networks at Phoenix Group. Each network is sponsored by members of their Executive Committee to enable empowerment, collaboration, and promotion of inclusive working environment across colleagues. The Mosaic Network focuses on supporting and enabling Black, Asian and minority ethnic communities in the workplace.

- **Survey design**: The survey was designed to gather a broader and more detailed understanding of colleagues, so utilised data and information from the National Office of Statistics and the Financial and Professional Services Toolkit. To ensure intersectional and meaningful analysis could be drawn post data collection, Phoenix Group also engaged academic researchers and included other demographic characteristics in its survey including age, gender, sexuality, religion, nationality, ethnicity, disability, as well as socioeconomic background. For every question, the organisation gathered insights from leading professional bodies and national statistics to ensure they were able to **benchmark** their findings for industry comparison.

- **Simplified process through mobile app:** The Mosaic Network and DE&I Team together developed an app called 'Who we are' with the support of IT and business champions, to allow colleagues to confidentially share their data. The app had a simple, user-friendly design, and offered multiple-choice answers including the option of "prefer not to say" to enable people to share as much or as little information as they were comfortable with.

- **Phased roll out:** The survey was rolled out in **a phased approach** in the UK to ensure buy-in from as many employees as possible and key learnings were reflected each time. Phase I was rolled out in Q3 2020 and covered 3,500+ employees. Phase II followed in Q1 2021 and reached an additional 3,500+ employees who had joined through the acquisition of the ReAssure business. Phase III focused on collating and analysing the data from the first two phases, and socialising findings with its DE&I Steering Committee and Executive Committee to help build their DE&I strategy for 2022+ as well as transitioning the project into business-as-usual (BAU). Different communication approaches were used through Phases I and II to encourage data disclosure within the app. For example, Phase I illustrated there was a degree of concern from employees over how the data disclosed was going to be used and who could access it, which had caused completion rates in the app to stagnate. To support the Phase II launch and drive up further completion from employees who received access through the first phase, the survey was supported by a "myth busting"
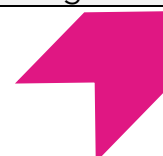
communication to address these concerns. In addition, there were incentives to encourage completion rates, and completion rates by business area were published on the intranet regularly to add an element of gamification.

- **An effective communication plan and approach:** A critical success factor was to ensure colleagues were brought on the journey. Phoenix Group believed it was essential to outline why the organisation wanted to collect the data and how the data would be used, and they found this significantly contributed to the successful data disclosure rate.
- Phoenix worked with Behavioural Scientists to ensure the language used in communications would encourage colleagues to disclose their data. Various communication platforms were enabled at the same time including the development of a microsite which had guidelines and screenshots to encourage colleagues to complete the survey and how data would be protected. As a result, the organisation reached their initial target of **75% disclosure rate**.
- Survey results were shared with leaders and colleagues through Townhalls, team meetings and through an engaging illustration to show the findings and resulting actions.

As a result of the data collected, Phoenix have been able to focus their actions and have created DE&I goals that specifically address the findings. This includes a full end-to-end review of their Talent Management and Recruitment processes and practices to assess where the potential barriers are and what potential interventions could be implemented to improve attraction, progression and retention across different socioeconomic backgrounds and other diversity characteristics.

To embed this within its business over the long term, an Executive Board member is now tasked to sponsor and champion Phoenix Group's work on social mobility, which is firmly part of the organisation's DE&I strategy. Learnings from the Who We Are pilot are being incorporated into a second round of data gathering in 2022, with some of the questions being either refined or enhanced to enable further insight and to track progress. Furthermore, the organisation is also assessing opportunities to integrate this dataset with their core HR system to enable meaningful analytics through employees' lifecycle activities.

7. Industry actions

It is vital to tackle the issue of socio-economic diversity across UK's financial services, if we are to attract and retain the necessary skills and talent the sector requires to remain diverse, inclusive, and globally competitive.

In helping organisations improve, we have developed key products and guides including:

- Diversity Data: The challenges of data collection and developing a culture of self-reporting (October 2020) which looks at the challenges on collecting diversity data and how to improve self-reporting.
- Inclusion Measurement Guide (July 2022, updated from July 2021) which provides practical guidance for organisations to measure inclusion in three priority areas: inclusive leadership, a safe and speak up culture and inclusive systems and processes. Based on a maturity model, content is applicable to firms measuring inclusion for the first time, as well as those who are already measuring inclusion to push their practise further.
- Inclusion across financial services: piloting a common approach to measurement (February 2022) which represents findings on the sector's inclusivity based on the largest sector survey in the UK on inclusion to date with over 3,000 employee responses across 13 organisations.
- Access, Diversity & Inclusion Commitment (April 2022) which sets out a set of principles that could be used to drive tangible, practical actions that will help firms and the wider sector to attract, retain, and progress the skilled people we need for the future. It lists socioeconomic background as one of the key demographic characteristics for firms to measure, analyse and set targets in promoting diversity & inclusion.

Progress Together, an independent membership body was created to drive socio-economic diversity at senior level across UK financial services.

It aims to level the playing field – to create a financial services sector in the United Kingdom in which everyone working in it, from all socio-economic backgrounds, is both enabled and has the opportunity to achieve their full potential. Their City Corporation's report from August 2022 establishes a baseline of socio-economic diversity at senior levels. FSSC is a supporter of Progress Together. Progress Together welcomes applications from UK financial services firms.