



# Treasury Committee

## Oral evidence: Sexism in the City, HC 1746

Tuesday 17 October 2023

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Members present: Harriett Baldwin (Chair); Mr John Baron; Dame Angela Eagle; Dame Andrea Leadsom; Siobhain McDonagh.

Women and Equalities Committee member also present: Caroline Nokes.

Questions 1–38

### Witnesses

**I:** Baroness Helena Morrissey, Chair, Diversity Project; Fiona Mackenzie, CEO, The Other Half; Mark Freed, CEO, E2W and Men for Inclusion; Alesha De-Freitas MBE, Head of Policy, Research and Advocacy, The Fawcett Society.

### Examination of witnesses

Witnesses: Baroness Morrissey, Fiona Mackenzie, Mark Freed and Alesha De-Freitas.

**Chair:** Can I welcome you to this Treasury Committee evidence session? It is our first oral evidence session on our inquiry into sexism in the City, following up on the work that this Committee previously did in 2018. I want to welcome my colleague Caroline Nokes, who is here in her capacity as Chair of the Women and Equalities Committee. She is joining us as a guest member this morning. I would like to start by inviting our witnesses to introduce themselves.

**Fiona Mackenzie:** Good morning. I am Fiona Mackenzie; I am the CEO of The Other Half, but I also spent most of my career working in the City, so I have much food for thought on certainly the problems and some of the solutions.

**Alesha De-Freitas:** Good morning, everyone. My name is Alesha De-Freitas. I am head of policy, research and advocacy at the Fawcett Society. My CEO, Jemima, sends her strong apologies. She is, unfortunately, unwell today.

**Chair:** Thank you for substituting at the last minute.



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**Baroness Morrissey:** Good morning. I am Helena Morrissey; I am here in my capacity as chair of the Diversity Project, but I have worked in the City all my life. I currently chair a couple of financial companies, one in insurance and one on fund services, and I set up the 30% Club quite some time ago to try to promote more women on boards.

**Chair:** Thank you for getting up very early to do the *Today* programme.

**Baroness Morrissey:** I hope I gave a good plug.

**Mark Freed:** I am not a lobbyist, policymaker or captain of industry. I am an ordinary man who has the honour to be here to represent and share the lived experiences of the women working in the industry who are members of my community, E2W. I also have the privilege of sharing the challenges of running a recruitment business that focuses on diversity. The people who work in it face challenges and battle against the biases in the recruitment machine every day. The third reason I am here is to share the amazing impact that firms are seeing by engaging with and inviting men, straight white men, to join the journey through our work with Men for Inclusion.

Q1 **Chair:** Thank you to everyone who has submitted evidence to our inquiry. We have had a lot of evidence. We have just agreed to publish that evidence during the course of this session. Some of it we have obviously had to anonymise, but we wanted to focus this Committee's work on progress on this issue since 2018.

Why is this important to us as a Committee? It is important because the financial services sector is one of the jewels in the crown of the UK economy. It is an area where we really lead. It is increasingly demonstrably the case that sectors that do well in terms of diversity and inclusion perform better financially and lead to better economic growth for our whole country.

We wanted to look and see how things had changed since 2018. Had there been an improvement? Was this an issue that had gone away? Going through the evidence, it suggests that the dial has barely moved since 2018. That is going to be my first question. Has anything changed or improved since 2018?

**Fiona Mackenzie:** It is a hard question, isn't it? There has been fantastic progress, which none of us would have predicted or even tried to imagine, which is via the accidental impact of hybrid working from the pandemic. That has had a huge impact on working parents. It has had huge benefits for working parents and particularly for women who are working, whether they or their partner are hybrid working. That has been life-changing, and there are lots of women in the City who are doing roles that they would not be able to fulfil because they can now work in a way that is home-based sometimes. Also, the bit of hybrid that no one ever really wants to talk about, which is that there is flexibility over when and where you work, is a huge thing if you have children. It makes such a difference to your ability to work.



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Q2 **Chair:** In your evidence submitted to us, was there any concrete ability to point to how that has improved retention and recruitment of women?

**Fiona Mackenzie:** We have been talking to leaders across the City from all different sectors of the financial services industry, and one problem with hybrid working is that very few people are now defending it and lots of CEOs do not love it. They do not really get it. They know that their people love it, but they are quite keen to switch it off. Particularly in founder-led firms, maybe US-based firms, and certainly in the investments industry, lots of it is now being dialled back.

There are women all over the City who are now working their notice, who have left jobs where they were high-calibre performers because hybrid working enabled them to stick in those roles. There are leaders who are tearing their hair out because they know that they are losing great people due to these decisions to switch off hybrid working unthinkingly. Hybrid working is not perfect, and was unplanned and accidental in its implementation, but to lose that and lose great people would be such a great shame.

Q3 **Chair:** Mark, has anything improved since 2018?

**Mark Freed:** Yes, it has. Stats show that we are closing the gender pay gap by a penny a year. If that is an improvement, it is an improvement.

**Chair:** That is from about 50%.

**Mark Freed:** Yes, absolutely.

**Chair:** It will take 50 years to get to gender pay gap elimination.

**Mark Freed:** Yes, 50 years to get to that. In the investment and savings industry, we see that over 50% of firms will not reach gender parity in top quartile earnings until way after 2050, and 26% of them will never reach it; they have actually gone backwards. In corporate and investment banking, the figures are pretty much the same: appalling. Some 62% of firms will not reach gender parity in those top-earning roles until way after 2050, and 10% of them have actually gone backwards.

Q4 **Chair:** Not much has changed since 2018.

**Mark Freed:** Not much has changed, yes.

**Baroness Morrissey:** I am afraid that I am going to concur. I know you have set store by the Women in Finance Charter, and that shows some improvement in the women represented in senior management levels, now at 35% on average. I am afraid that that seems to be more a few women battling their way through to the top, rather than the day-to-day experience of women throughout the City improving.

There are big pockets of no progress whatsoever. My background is in fund management. Still only 12% of named fund managers—people running an account and having their name on it—are women today. That has hardly changed in the whole 36 years since I have been in the City.



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To build on Fiona's point, there is some evidence that where there is flexible working permitted, that helps. Redington, the pension fund consultant, has recently done some analysis. It suggests that there is twice as much, 23%, representation of women in investment teams where there is flexible working compared with when there is not.

There is evidence that certain things can work, but I am afraid that the big problem remains culture. The Diversity Project has recently instigated something called SafeSpace, where we are inviting women, or anybody, actually, who has experienced poor behaviours. It just so happens that all the testimony so far has been from women and one person who identifies as non-binary. Twenty people have come forward and shared their experiences, which range from quite aggressive sexual assault to bullying and discrimination, for example unequal pay for the same jobs. The fear factor is very real. Perhaps we can return to that, because that is problematic.

**Q5 Chair:** We will. We will be talking more about culture as we continue. In terms of 2018 and progress since then, Alesha, has the Fawcett Society been able to detect any?

**Alesha De-Freitas:** I would absolutely endorse everything that my fellow panellists have said, but I am going to strike a slightly more optimistic note because we have already covered the lack of progress. Where we can see progress is that there is a lot more innovation. There are companies out there that are doing the right things: experimenting with flexibility and recruitment, and using data monitoring to understand where the barriers are. The reviews of the charter really show that.

The Business in the Community work also demonstrates that there are companies across the financial sector that are making real strides to be more gender equal. Where we are not seeing the systemic change is that that best practice is not trickling down. We can say that there is real evidence now about what works and a sense that there is no reason why financial services cannot do this. It is just about all those people who are not yet willing to do it being made to do so.

**Q6 Chair:** Helena, you mentioned the Women in Finance Charter. More and more firms seem to have signed up to that, and it now covers a million employees. You also mentioned that nearly 90% of investment management decisions are still made by men. Is it the case that there are certain sectors in financial services, perhaps those that are not publicly listed, where this is a worse issue than in those that have adopted the charter? Has the charter made a difference to the sector? Are there areas where it could be given more teeth?

**Baroness Morrissey:** I am going to concur with Alesha here. There are companies that are market leaders here and that set great store by the importance of having more women at all levels in their organisation. Unfortunately, it is very inconsistent. I do not think that it is necessarily



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correlated, although one does not have the data of all the people who have not signed up to the charter.

I have seen examples where people sign up to the charter and dust it down once a year: "How far have we progressed? Oops, we will have to set a new target". It is that sort of thing. There is a wide range of definitions, for example over senior management, et cetera. It has been a good thing, but I do not think that it is enough at this stage to move on from what has been probably centuries of sexism and certainly underrepresentation of women in the City.

Q7 **Chair:** Does anyone else want to make any points on the Women in Finance Charter specifically?

**Mark Freed:** I would concur with what has been said. There is a lot being said, and certainly the women in our community are saying that there is not much being done. There is no evidence that the commitments firms are making and the changes they are talking about are actually happening. Sector analysis in the Women in Finance Charter report from March 2023 shows that investment banking and investment and savings or investment management are lagging behind all the other sectors.

Q8 **Chair:** What about venture capital? Our Committee found that out of every £1 raised in venture capital, only 2p goes to women in businesses. What about hedge funds? Are there other sectors that you would highlight as being particular areas of concern?

**Mark Freed:** I cannot comment on that.

**Baroness Morrissey:** A lot of them have not signed up. Of the listed big companies and so forth, Mark has called out the worst offenders. Every piece of data that I see shows that women have it at least as bad in venture capital, the smaller companies, private equity and so forth. There is an even smaller proportion of women there.

Q9 **Chair:** Are there any other comments on the Women in Finance Charter specifically before we move on to culture?

**Alesha De-Freitas:** It sits across both. The real problem with Women in Finance is that it looks at that top layer of women who are going to make the board. That is really problematic, because it does not look at those wider feeder careers. The statistics and the evidence show that it is that leap into middle management that is particularly problematic. That is often the career change that comes around the time people are having families, when there are competing demands on their time.

If you are focused primarily on the number of women who get to the top step, you end up with a real war for the best women who are already performing at that level. That is brilliant for those people, but that does not lead you back to that culture change and thinking about how you can make this sector work for everyone. Also, it has limited impacts on the gender pay gap because you are just focusing on the very highest



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earners, but what about everybody else in the organisation who might not get there?

**Q10 Dame Andrea Leadsom:** Good morning. Talking about culture in the City, a number of respondents to our request for evidence said that it is still an old boys' network. Could I ask each of you whether you think that that is true and whether it is changing? If not, which are the worst culprits?

**Baroness Morrissey:** I do not want to name and shame right at the off, but let us get into it.

**Dame Andrea Leadsom:** Please do.

**Baroness Morrissey:** It still very much feels to women like an old boys' network. Probably Mark would want to elaborate on this, rather than me stealing his thunder. There is a strange gap in perceptions between how men see the workplace and how women see the workplace. I will leave it for Mark to share, but on average, men think it is a fair place and women do not. This lack of understanding between men and women about what we are actually dealing with is a problem.

To be honest, the bigger companies can often feel extremely daunting for women. Even today, I am approached by a lot of women who come and tell me that they are still the only woman in their team. Even if there is no intention of the company to make it into an old boys' network, it inevitably feels that way to the woman who feels excluded from all the conversations, or a lot of the conversations, at the desk and does not feel that they belong.

It takes a lot of effort to overcome that. I am always getting into trouble for being outlandish and outspoken, so as for the idea of naming all these companies, maybe later on in the testimony I will get braver. You can point to some that have even been in the news of late. I was on the board of St James's Place. We have just had the problems over Barclays. Some of these companies are out there in the public domain as having not necessarily adhered to the highest standards or having caused problems. It is quite endemic across the City.

**Fiona Mackenzie:** I am also not going to settle any scores. I would completely agree with all that. In material reality, it is an old boys' network because so many of the women—fantastic, talented people—in the financial services industry are lost at the point that they have children.

In reality, you can be a women in your early to mid-career, looking ahead of you, and all you will see is men. Some of them will be fantastic modern men, involved with their families and keen to bring women along, but it is not going to be an industry where you see lots of people who look like you. Certainly, if you are thinking about having children, it does not feel like a very friendly place at all.



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There are definitely all sorts of pervasive cultural issues that have been raised in the previous women in finance work here and in pretty much everything else that probably everyone in this group has done over the years on this. They are very sticky to solve. It is things such as not valuing women's contributions and having a boys' club where things such as promotion decisions are made directly because you like someone, as opposed to because there is a formal process.

We probably have to recognise that all of those things are permanent features of the world that we live in, and we should not just assume that we can do a one-off fix. It is not just, "We will fix this and we will not ever have to have this session again." These may just be frictional points for women's participation in the workforce, because they are so sticky to fix.

Having said that, I do not want to be too depressing, because there are fantastic, motivated female leaders across financial services who are absolutely fluent on the issues that women face in their organisations and are fully motivated to fix them. They are on it. We want to start giving them the scaffolding to make the arguments they need to make internally for cultural change and real action on things like sexual harassment, and making sure that women progress in the industry and get to influence the financial services that we need.

**Mark Freed:** Part of the problem here is that a lot of our focus has been on diversity and counting the number of women in an organisation, rather than on inclusion. We need to start focusing on inclusion, because we need to change the culture. It is clear from our E2W members that the lived experience of women in the workplace and in the City is very different from the lived experience of men. At Men for Inclusion, we measure that by something we call the lived experience gap. All the work and the research we have done shows that women's experiences in the workplace are generally about 30% poorer than men's.

There are things that happen that are often called microaggressions. We call them accidental sexism. They are being interrupted in meetings, having ideas stolen, being promoted only on past performance rather than on potential, or being given the admin tasks rather than those tasks that are appropriate to the P&L. All these things are happening to women every day in the workplace, and generally men are completely blind to them. When we talk to men about them and show men that these things are happening, they generally then get on board and start changing that culture from the bottom up.

**Dame Andrea Leadsom:** There is hope.

**Alesha De-Freitas:** There is always hope.

The City, institutionally, is founded on a power imbalance. The culture still operates in such a way that bonuses, promotions and career progression generally do not happen in a transparent way. As I say, I do



not think that that is necessarily the case across all firms. There are some really good examples where people are trying to dismantle that. When you have that power imbalance and it is so entrenched in a culture, it makes it very difficult for women to understand what they need to do to get on and how they can dismantle those barriers. They have to play the game that they are given, rather than being allowed to be themselves.

That power imbalance is also then one of the key drivers that we find in terms of sexual harassment. It is also one of the key drivers that you find in terms of pay disparities, because people do not know that they are being paid less than their peers. They do not know that they are receiving bonuses that are less than their peers. It is at the heart of all of these issues.

**Q11 Dame Andrea Leadsom:** That is interesting. Coming from the City myself—just to share momentarily—back in 1995, having just had my first child and asking to go part-time, the managing director of the UK bank said, “We have managed without female directors until now. We certainly do not want part-time ones.” Has anything changed? Are there any good examples? Is it because women have children and therefore want to take career breaks and have flexible arrangements? Is it just because women are from Venus and men are from Mars?

**Chair:** We will focus on since 2018. I think that things have got better since 1995.

**Dame Andrea Leadsom:** I sincerely hope so, but that is an interesting question. Have they?

**Fiona Mackenzie:** Can I, a very heavily pregnant lady, make a defence of mother-focused policies? If you speak to women who are at senior levels across the industry, there are women now who are operating on a part-time basis at very senior levels in the industry. That is fantastic. That is a total shift from when I started my career. They will pretty much unanimously say that it is mothers and carers—that is the point that we lose them.

We face all these cultural issues in working in financial services. You get battle-hardened. You can find a way through, but you cannot find a way through if you say, “I want to work part time,” and your organisation says no—or they say yes and you are obliterated by the workload, they make you feel like it is your problem, and you feel bad and do not try again.

There is this persistent story that there are lots of great attempts to expand things like paternity leave for men, which is such a fantastic policy. I do not think that anyone can disagree with how wonderful that is. There are lots of senior leaders who are not yet on board with all of this who think that that is all you need to do: just give men paternity leave and women will stop taking so much maternity leave, all that





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childcare stuff that impedes their careers will get fixed somehow and the problem will be solved.

Aviva is very ambitious on all the work it does. It finds that pretty much all of the men who work there take up the paid paternity leave, but women still take more maternity leave. They take unpaid leave. They are 10 times more likely to come back part-time. Really innovative organisations such as Aviva, mostly insurance companies actually, are facing up to that and doing things like really making efforts to make senior roles part-time.

Zurich has done that and now has huge numbers of women applying for roles and getting roles at a senior level, because it has faced the reality that that is something it needs to do as an organisation, not just pushing it on to women to say, "Can you not make it work? Yes, we will let you work part-time, but can you not make it work?" The motherhood piece is the piece that is poorly addressed in a lot of the public diversity activity you will see. As I say, these highly motivated leaders are trying to fix it internally. There are some really positive, workable policies that other organisations could really easily roll out for this.

**Baroness Morrissey:** I was going to give a shout out to Aviva. It was the first to introduce equal paid parental leave for six months. We did a census at the Diversity Project and 12 of our members—out of 110, so not the majority by any stretch—also offer at least six months of equal paid parental leave. It highlights the importance of shaking up the working environment in the City, full stop.

We will have gender equality for women in the workplace only when we have something more like gender equality for men at home as well, or for all of us at home. I interviewed Aviva at the time about why it was doing this. It had this idea that it would attract and retain employees; they would be staying for longer and would be happier and more productive. It has also discovered not only that the men now take on average five months of paid paternity leave, but that it enables others to take career opportunities. They cannot really fill the gaps left by so many people being out, so people get a new opportunity when someone is off for a few months. That has created a new, unforeseen development.

Some of these changes have to be thought of as broader than, as it were, just the women, even though our goal might be to help more women to progress. We have to see it in terms of making it better for all people. You do not have to be a certain type of very macho male person who is very motivated by money to succeed in the City. There are lots of different opportunities. To me, that is pretty important if we are going to fix the culture as well.

Q12 **Mr Baron:** May I drill down a little into the key drivers when it comes to the level of representation in financial services? I think there is general acceptance that there has not been much progress made. You yourself, Helena, have talked about the fact that only 12% of fund managers are



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women. In the Diversity Project, you quite rightly point to the fact that fund management is “the lifeblood of the industry and in many ways, the real power base”, and yet progress has been terribly slow.

The Diversity Project has a target of achieving 20% female fund managers by 2026. Given that the current figure stands at 12% and has hardly moved over the last couple of years, it is great to have a target, but I do not see much movement or many initiatives encouraging us to believe we are going to get to these targets.

**Baroness Morrissey:** That is a fair challenge. In my evidence I allude briefly to the Pathway programme. I would be self-critical and say that for many years we did not make any progress because our efforts were rather vague: “Join us. We will welcome you. We want more women.” That is not enough to even attract women. We do not have 50:50 at the entry level in most firms.

At the Diversity Project we decided to have a very targeted intervention, which is the Pathway programme. It started this year, so it is new. We have 60 women on it this year from 33 firms. It is designed to complement the CFA, the professional qualifications. It is on-the-job training. Each woman has to have a sponsor back at her firm, so this is not a question of sending someone on the course as a replacement for actually nurturing them back at the firm. We have 80 women signed up for next year.

Currently, that 12% figure translates to less than 200 named female fund managers. Honestly, in my 35 years in the City, I have never felt as optimistic as I do now that we might be on to something. I am not in any way complacent. At the same time we have far fewer fund launches. We have a smaller proportion of those fund launches going to women. There is still a huge amount to be done to make it a level playing field, but there is evidence that gender-balanced teams are the best-performing. Firms are actually quite keen to see women progress in this area.

Q13 **Mr Baron:** Do you think that one day you could have financial services companies, fund management companies, reflecting the make-up of this Committee at the moment today—just a few?

**Baroness Morrissey:** I was going to ask whether there was anything to read into the fact that we have only one male member of the Committee here.

**Mr Baron:** Yes, precisely. You make a good team.

**Dame Andrea Leadsom:** Women work harder.

Q14 **Mr Baron:** Having worked in the fund management business myself, as you know, I can think of fund managers such as Jean Roche at Schroders, Georgina Brittain at J.P. Morgan, Helen Steers at Pantheon International and long-serving Katie Potts at Herald. These are exceptionally good fund managers. We need more of them. Yet if you



look at some of the statistics coming out very recently, which is why I gently challenge you on this, the Citywire Alpha Female report published last month says that of the nearly 1,400 new funds launched in the past two years globally, 6.9%—let's say 7%—were given to female managers. It seems in many respects as though we are going backwards.

**Baroness Morrissey:** I completely share your frustrations. Jean has been instrumental in the Pathway programme and spoke at our launch event, which was very inspiring. As you say, we need more people like that. This is the first programme of its kind globally, so we are hugely ambitious for it. People have asked in the States, continental Europe and now in Japan, "Could we have one like this?" I said, "I am not sure that I can manage to do that." In the meantime, we are the only country doing it.

It will take some time. Three women on the programme have already been appointed to a fund manager role, but that is three out of 60. I do not see that we will really move the needle for another three to five years. I realised that we needed to have something much more targeted and precise that listened to the women. We drafted the curriculum. I should have explained that the curriculum is devised by the City and fund managers, so it is brought to the industry by the industry. We do not have consultants working on it. It is people like me and current fund managers as well. Then we share the draft and people say, "No, I want more on this and more on that", and we have adapted, but time will tell.

**Mr Baron:** Can I open this up a little bit? Who else would like to come in on it?

**Mark Freed:** The problem is shown in the Committee here, frankly, that your male colleagues on the Committee perhaps have not arrived, or are not here.

**Chair:** There are not many of them.

**Mark Freed:** Fair enough. Research shows that 20% of men in most corporate environments now think that diversity has gone too far. That is a McKinsey report. Our research also shows that a significant proportion of the rest of the male population are completely passive in this and do not think that it is about them.

At Men for Inclusion, when we are talking to men in the corporate environment and working with our clients in the City, we are answering the question, "What is in it for me?" for those men and talking about how male stereotypes have changed. We were talking about paternity leave just then. I did not have paternity leave. Sorry, that was a long time ago, Harriett. There is a significant benefit in inclusion to men and we do not include them in the conversation. If we include them in the conversation, we will engage with them and things will change. Culture, behaviours and values will change.

Q15 **Mr Baron:** Can I broaden this out a little bit? To what extent do you



believe that there is—I certainly believe that it exists—an unconscious bias with regard to how financial service companies operate? For example, if you are stipulating very rigidly time spent on leave, foreign trips as part of the job, perhaps qualifications even, you could say, certainly with regard to the first two, that there is a bias there against women. To what extent do you feel that that is a fact?

**Fiona Mackenzie:** It is 100%. The working patterns and the working style favour a male default. To be honest, when I started my career, there were lots of men who did not see their children from Monday to Friday and whose wives—fantastically talented women, most of them—were not working any more. That was a particular model that worked at that time. It was unassailable, and it was unthinkable that that would ever change.

That has shifted dramatically, with more men being more involved and wanting to be at home more. Paternity leave will start to unlock this, but there is so much in this: the entirety of working patterns; promotion decisions around how much time you have spent in the organisation; as you say, sudden travel; the tendency to have a long working hours culture; not wanting to say no to clients. All of this does not fit well with women who need to go and collect their child from nursery or who need to say, “I cannot work today because I am looking after my child.”

Q16 **Mr Baron:** Having been a fund manager myself, we are not asking for the impossible here, are we? You can be a good fund manager and still—taking your point, Fiona—work flexible hours to a certain extent. Obviously there is a balance, but I do not see why there is this brick wall with regard to working conditions and this unconscious bias.

**Fiona Mackenzie:** I know, but this is why it is really hard. Helena has been trying to fix this for a long time, and it is indicative.

**Baroness Morrissey:** I am still smiling.

**Fiona Mackenzie:** She is brilliant and there are lots of high-calibre women like her. These organisations can resist change. It is hard to change working cultures, and very often these initiatives do not have the buy-in from senior people that they should have had. They are treated as trivial or, to be honest, we might all start to think, “Surely this is easy. Surely this should have been done by now.” That is where the failing has come. It is that it has not been treated as serious organisational change. It is something else.

I was very excited to see that Fidelity—it is possibly one of your initiatives—is looking at restructuring fund management roles so that you no longer have a single person as the fund manager who cannot take a couple of years out to look after kids or have a slightly more non-linear career path. Things like that are very exciting, but they need proper heft from the organisation, which they have not traditionally had because diversity is seen as a bit of a trivial side issue.



**Alesha De-Freitas:** It is really important that you started this session by talking about the benefits of diversity for the economy and for the sector, rather than talking about the benefits for the women. Too often, diversity is seen as a nice-to-have, but we are not willing to give up our primary focus on making money in order to achieve it. Actually, all the data shows that a focus on diversity will make us more money and, as a country, will make us more productive. There is still work to be done to win that argument.

**Mr Baron:** That is the reason I highlighted—I hope that I am sparing the blushes of the ladies concerned—those four fund managers. There are not many more I can mention that I know of. I have been removed from the industry a little bit, although I still list what my interests are in financial services. They are very good fund managers. It comes back to the point that they are, by and large, doing a great job and that is good for financial services and the economy. As a father of two daughters, I completely agree with you. I want to see this agenda pushed forward.

Can I come back to how we challenge these unconscious biases in the workplace without going down the road of legislation? How do we do it? We have been talking about it. We talked about it in the 2018 report and here we are, having advanced 1% or 2% participation levels by women at fund management level. It is not good enough, so how do we do more on that?

**Chair:** We are going to leave that question out there and bring in Siobhain on the pay gap. Potentially, you may be able to have thought about how you want to address some of the solutions.

Q17 **Siobhain McDonagh:** Harriett has mentioned this in her opening questions: we know that the gender pay gap between men and women working in finance is about 24%. The glacial pay progress that has been made over the last six years has reduced it by 1.7%. On our current trajectory, it will take financial services firms another 70 years for the gender pay gap to close. Has gender pay gap reporting simply not worked? Is it time for more stringent measures? Should we have time-bound targets and real consequences if you fail to meet targets? Should the Government start publishing a list to name and shame those with the worst pay gaps? Or is there any other solution you care to mention?

**Alesha De-Freitas:** I do not think it is fair to say that gender pay gap reporting has not worked. The fact that we can reel off these statistics and demonstrate that insufficient progress has been made is a benefit to gender pay gap reporting, but I do not think that it has gone far enough. At the point when gender pay gap reporting was introduced, it was hoped that firms would see the pay gap and take action. That is not happening enough. It is not happening enough in finance either.

In the review into the charter, there was some talk about the number of firms that use the data to drive their interventions in the workforce in order to close that gap. It is a very small number when you have this



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whole wealth of data to understand when women are leaving the workforce and at what level the pay disparities are growing. There is a real need for firms to deliver clear action plans based on their pay gaps. Government should be able to say, "You are not delivering on what you promised that you would," and to take action on that basis.

**Fiona Mackenzie:** Controversially, given my career path, I think that the numbers in the pay gap are probably the least interesting and effective bit of the pay gap. As you know and as was raised in the previous inquiry, things like part-time working and recruiting junior women are bad for the pay gap, but we want firms to do lots of that. Focusing too much on that one number is the wrong way forward, but the pay gap reporting work gives you some accountability and some corporate and board attention on an issue that otherwise was treated as a bit of an irrelevance. That is a fantastic step forward, but it does not get you anywhere near the end.

If we look ahead, the regulators are proposing some really quite granular data collection, which lots of firms are going to find extremely exposing—not pay gap specifically but, even more usefully and bluntly, "How many parents, carers and women do you have at senior levels in your organisation?" Lots of organisations in financial services will have none. That is the route from where we are now, where there is going to be data available to demonstrate all the issues these organisations have. They should be thinking, "Let us start focusing on what works, so that we can anticipate that."

I agree: pay gap reporting has been very useful in getting this a step forward. The Women in Finance Charter has taken it perhaps a step forward again. As we look ahead to regulatory intervention, that is probably the bit where parliamentarians can be more effective than in trying to pass legislation on pay gap elimination, for instance.

**Baroness Morrissey:** From the first year, 2018, when we were looking back at 2017, I have witnessed that there were a lot of firms in a complete panic and worried that their 30% pay gap, or 60% when it came to bonuses, which is obviously part of the culture—

**Siobhain McDonagh:** That is the next question.

**Baroness Morrissey:** I will not pre-empt that too much, then. They were so worried and I got so many calls: "Oh my goodness, how are we going to even cope with the PR part of this? What are we going to do?" Once the numbers came out, and because everyone could see that the whole sector was pretty rough in terms of the numbers—I think at that point it was 29% on average for the median salary and roughly double that for the bonus—people's eyes glazed over a bit.

Now, five years on, they are like, "It's just high." There is a discussion, a sort of low-level thing, on, "It is a residual. It is just a residual. We have to work on the women thing and it will come good." You could up the



ante. There are not really proper plans of how you are going to close it. The Diversity Project took two big firms; they volunteered. We looked at where—going back to your point, Alesha—the data was. Where would the interventions make the most impact? Those two firms, I believe, then went and did something about it and things improved for them.

Without that level of commitment and granularity, at the moment it is gathering dust. There is a vague notion that we will work harder next year and then nothing is done until the reporting cycle. Then HR gets in a fluster and says, “What are we going to say this time?” That is how it is.

**Mark Freed:** I concur with everything that has been said, including the virtue signalling: “What are we going to say this year? What are we going to do?” I would also make the point that all these gender pay gap stats, et cetera, are just measuring diversity. It is really important that we also find measures for inclusion. There is no point in having more diversity if the culture, behaviours and values are not changing. Women having to perform and be fixed to succeed in a man’s world, with the current culture, is not the answer. We need to change the culture and to measure and put pressure on changing the culture.

**Q18 Siobhain McDonagh:** The issue of bonuses is quite a contentious one in this Committee, and it often comes up. The bonus gap between men and women, as you have already stated, is at 43%. Are women in finance only half as good at achieving their targets, or are men better at hustling for bigger bonuses through their old boys’ network?

**Baroness Morrissey:** This comes back to the fact that women are usually doing lower-level jobs, so they get lower bonuses because their value is regarded as less. They are doing less senior work. Some people get a bit het up about gender pay gaps and say that it is not fair because you are doing different jobs and not comparing apples with apples, but it is great shorthand for the fact that women are doing less-valued work on average. What did you say we are at now—43%? It has come down quite a bit.

There is still an issue. I used to be chair of AJ Bell, and I still work with it on its female investing campaigns, Money Matters. We did some work, and women rarely ask for a pay rise. About 60% of us never ask for one in our whole career. When we ask, only a third of us get it.

**Q19 Siobhain McDonagh:** I can imagine that it would be excruciating negotiating a bonus.

**Baroness Morrissey:** It is excruciating. My view is that we should not be training women to ask for a pay rise better really. We should be making sure that, in their firms, everyone is valued for the work that they do. For now, to close that gap, we have to get women, I am afraid, speaking up and demanding a bit more.

**Fiona Mackenzie:** I would agree with all that. As you say, it is lower-level jobs and being pushed into lower-status, non-revenue-generating



roles, which do not attract bonuses. If you have a bonus culture in your organisation but the women get sidelined into service functions or functions that have lower bonuses attached, you automatically get a pay gap for the bonus piece. And then, of course, there is part-time working, which women are much more likely to do as well. Ideally, you would want firms to anticipate this in their remuneration strategy and think, “How much do we value these women’s contributions?” We are still a long way away from this idea that women can be valued equally throughout organisations.

**Alesha De-Freitas:** This might be a reasonable moment to bring in the intersectionality point. Across different sectors overall, we see that black women and women of other ethnic minorities are always at the sharpest end of discrimination. A bonus culture allows you to not really think about any of those issues, to just park it—you used the phrase “unconscious bias”—and to have that slight feeling that you want to give certain people a bit more money than others.

We have done some reports into the experiences of ethnic minority women in the workplace. We found that they face barriers over and over again, and bonuses is a particular one. Because of the way that that process is managed, it is very difficult for them to ever feel like they are getting a fair ride, essentially.

Q20 **Siobhain McDonagh:** More women are gaining accountancy qualifications than men, yet we have seen only a 2% rise in the number of female chief financial officers, a traditional recruiting ground for future CEOs. How long will it take the financial services industry to come up with a pipeline of female CEOs?

**Baroness Morrissey:** How long do you have? Going back to some of the points we have made already, we could get very fixated about a few women getting to the top. They tend to be very resilient, very determined, exceptional women who have overcome all the barriers in lots of ways. We should be focusing more on all women who are working in finance.

In the meantime, this goes back to the inconsistency. There are companies that I know of that do their nine-box assessment and put women in the high-potential, high-performance boxes; they make sure that they are looked out for for potential roles that would lead to the CEO slot. There are companies that are doing all the things that they should be doing. Then there are those where it is their friend, pretty much, it seems, or the person at the adjacent company who they poach.

Q21 **Siobhain McDonagh:** Politicians have caught on to the fact that the economy has to grow in order to allow us to improve services or cut taxes. That is all parties. The Women’s Budget Group estimates that there are 1.5 million mothers who would like to take on more hours but cannot because of the lack of available childcare. It estimates that the additional hours would result in £9.4 billion of additional earnings every





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year, increasing the UK's GDP by around 1%. My late sister's company, The Pipeline, indicates that if the UK had more women on executive committees, it would mean an additional £54 billion in the UK economy. When are financial services firms going to unlock the huge potential offered by these women?

**Alesha De-Freitas:** It is a really important point that you highlight. One of the very frustrating things about the issue of mothers in particular leaving the workforce is that you have all this talent and then you put them into less productive jobs, essentially. Fiona mentioned flexible working not always being very good for the gender pay gap. We know that flexible working generally can be seen as a bit of a mummy trap. It is where women go, and they do not get promoted and do not get the pay progression. That has long-term effects for the rest of their career.

I share your frustration that we are not making the best use of the resources that we have. That is not even the resources that you get when children are born. It is also all this time, investment and money that has been put into women and then you are willing to lose that in their 30s.

**Fiona Mackenzie:** I would probably steer you away from the idea that this is about getting more women into full-time work. There is a policy lever that people like to imagine pulling, where you give women childcare, they go into full-time work and the problems fall away.

Women in financial services are often highly paid and highly educated, and they have choice. We need to take account of the fact that these women could already be using that childcare and making themselves as convenient as possible for their employers and progressing in their careers, but what actually tends to happen is that women leave. Faced with the choice of part-time working in a role where they are either totally unsupported or in a backwater, they could up their hours by accessing childcare, but they choose not to. They choose to leave altogether.

That is where we have this crushing loss of talent, which means that, genuinely, our financial services companies cannot retain the best talent in their organisation because they have this total blind spot when it comes to the working patterns that are required to deliver these senior roles.

I definitely think that childcare has an important part to play in this, but I do not think that the people who are trying to fix this in the industry want to hear, "We will just get women to work more hours and then it will be easier for them to progress in the organisations as they stand." We need to quite forcefully push this back on to organisations to start thinking about how they accommodate different working patterns.

That is where you start to bring women who would otherwise be walking out the door into roles where they can really contribute. They can start to think about innovative consumer products that meet the needs of the



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general public who have caring responsibilities, which is this huge gap in the consumer offering at the moment because the industry eliminates women with caring responsibilities too often.

**Chair:** We will leave that question out there as well, because we have these two very essential open-ended questions about what you have seen that has helped and works to address these two points.

Q22 **Caroline Nokes:** I am going to ask another open-ended question about what actually works. I wanted to ask about sexual harassment and misogyny. We heard Mark refer to microaggressions. Helena, you referenced SafeSpace and what can be done to encourage particularly women—I absolutely appreciate that sexual harassment can happen to men as well—to speak out in the form of whistleblowing procedures and enable them to articulate those microaggressions, which nobody is interested in. People only want the really horrendous headlines of physical sexual harassment, but it is the microaggressions that often lead to that. What can be done to improve the ability of women to speak out?

**Baroness Morrissey:** Thank you for asking me that question, because it gets at the heart of this whole sexism issue. The really striking thing from all 20 of the testimonies that have come forward is the fear factor. It has really taken my breath away, if I am honest, because there is such nervousness, if these women come forward, about their confidence being broken. There is also testimony that each time the women have escalated, it has made their working lives worse.

We are undertaking a survey that is open right now. The SafeSpace is still open, if anyone is watching, listening or reading this testimony. Please take advantage of it. It is on our website. We are doing a survey at the moment to find out whether people would feel confident speaking up if they experience or witness something and, if not, why not. We have given a menu of options but also asked people what is going on.

The things that are coming out are multiple. There is no silver bullet, as usual. It is clearly rational. Women say that they report something and then the firm investigates and closes ranks behind the more senior person. It goes back to the abuse of power issue. That person might be let go, but they are kept in the system. They are put back. A bad apple is put back in the system, but they are very rarely let go. Often the woman ends up leaving the firm and just thinks, "I cannot deal with this any more," or her life is made so uncomfortable. It is very rational for people to think, "I am not going to report something because that might happen to me."

There is a distrust of HR, which is quite widespread. I have quite a lot of sympathy with the HR departments because they are doing a very difficult role here. We have two specialists in HR on our SafeSpace project team. They get frustrated if people do not report something quickly, so then it becomes harder to establish the truth. Often HR is seen as just on the side of the firm, not supporting the employee.



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There is a different way of handling that. In other departments, such as compliance, nowadays, you have people who would be dedicated as advisory and monitoring. You separate out the people who are there to help out and people who are there to check up. Perhaps we should look at the same sort of situation for HR. One of our HR specialists actually reports to the chair of the company, not the CEO, which gives more independence. There are some things there.

Then there are things that happen that are obviously out of the manager's remit. Somebody will report some personal tragedy, some difficulty going through the menopause or something that is very difficult for that person, the manager, to really understand and address. Again, we are asking too much sometimes of people to suddenly be a specialist in a bereavement, or kidnapping in one case—some terrible situations that really are beyond them.

We need to rethink how we support people, because so often they are scared of the investigation process. They do not want to face the person who they say has perpetuated the offence against them, and yet obviously there needs to be a fair hearing. There is a lot to be done. I do not exactly know the answers yet, but by analysing and finding out what people say is the reason they will not come forward, we will have a better idea.

Q23 **Caroline Nokes:** Are NDAs helping those bad apples to whom you referred to disappear?

**Baroness Morrissey:** In the responses—we will get on to this, I am sure—to the consultation papers that the regulators have put out on diversity and inclusion in the last week or two, they have not asked for companies to report on their use of settlement agreements or NDAs, and they should. They can sometimes have a useful purpose for all parties, but too often we see that people are silenced. Anonymously, people have come forward and told us of how they have ended up signing a settlement agreement and being silenced. They feel bad about being bought out by it, but they do not see any other option for in any way emerging with anything intact from the problem.

Q24 **Caroline Nokes:** Fiona, you started off—I loved this—by saying that you had solutions. Do you?

**Fiona Mackenzie:** That is a good question. Yes. On the sexual harassment point, Helena has thought in much more detail than I have about how to fix this. It is horrendous and totally out of line with the working culture of these organisations. It is very much a business problem to solve that there is somebody in the organisation who is slapping women who have come forward to say, "Please can you help me deal with this man I cannot deal with?" These women are then being forced out of the organisation and given an NDA. Then, because the organisation leaks, every woman in the organisation finds out that this is what happens if you come and speak to your manager.



There are the kinds of granular solutions that Helena has already put forward in her evidence—things like changing reporting lines in HR so that you have proper accountability to the chairman, or the board being on the hook for this if somebody phones the FCA whistleblowing hotline, which nobody knows about. It is a nuclear option to phone the FCA when really you are just asking for some help from your manager. There is a way to unpick this, but it is partly about regulators and asset owners being quite forceful in asking, “How are you settling sexual harassment cases?”, and changing accountability lines.

This is a board problem to solve. This is at a level that is so extreme and so out of line with the working culture that is expected of financial services firms.

**Q25 Caroline Nokes:** It is a board problem to solve, but we learned today, did we not, that the 2023 UK board index shows that diversity is actually going backwards? Can we rely on boards to solve this? Will they understand the need to?

**Fiona Mackenzie:** It is going to be a journey, for sure. I genuinely think that there are highly motivated people on boards, who are not all women, who genuinely understand the important role that they play as a board. It has to be the interplay with other highly influential bodies, such as the regulators being on top of this and really challenging boards, “What is happening in your organisation?” If the FCA gets a woman phoning up and saying, “I have been given an NDA and told to leave the company because I reported my colleague,” the boards of those organisations should hear about it very quickly from the regulators.

None of this is happening at the moment. At the moment, boards do not know that this is happening. It is all just happening in the background. This is one of these experimentation phases. Too little is being done on sexual harassment. Organisational responses are pretty much unanimously terrible and may even be worse than the old days when they would do nothing. This will have to be a process of trialling different approaches, through governance and external bodies, to see whether these work and whether we can change culture on this.

**Q26 Caroline Nokes:** “Trialling”, “a journey”—Alesha, do we have time to wait?

**Alesha De-Freitas:** No, we do not. We have had a period of trialling and boards have been given plenty of time to take more significant steps to address this. Some have done a great job, but by and large this has not reached the top of their priority list.

The Worker Protection Bill is going through the final stage in the House of Commons on Friday. It will create a duty on companies to prevent sexual harassment. At Fawcett, we have done some work looking at what companies can do in order to create a culture that is against sexual harassment.



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The first thing you have to do is to be really clear that you have a no-tolerance culture and set out really clearly what that means. You have to be clear that sexual harassment is not just the horrific physical end of things; it is also about the things you say, the banter, the jokes and all of those things, which may well have been acceptable in the past. As a company, you need to be really up-front and say, "We are not going to tolerate that any more."

This affects lots of companies in other sectors. We are talking to a rail infrastructure company, which for decades has been dominated by men. It is also an environment where there is not a lot of supervision. They have had that discussion with their workforce to say, "You used to make these jokes and comments, and you used to do these initiation rituals. They are just not acceptable any more. If you keep on doing that, we will take action against you. You need to change." It is really important to have that sort of culture.

The other thing I would talk about is reporting. We have found that there are still businesses out there which say, "There is no sexual harassment being reported in my firm, so there is none happening." You really want lots of people reporting sexual harassment. You want a culture of inclusion that makes people willing to speak up. You need to have clear reporting lines in terms of what you are going to do about that. That information, that data, needs to go to board level so they can say, "These are the problems that are happening in our workforce. There is a hotspot here. This seems to have been addressed." You need to have that monitoring.

**Q27** **Caroline Nokes:** Can I bring Mark in quickly on that? You said it: 20% of male employees in the City think that diversity has gone too far. We know that boards are predominantly still white men. Where are the allies who are making sure that there are reporting lines, as Alesha has referred to, and that the culture has changed?

**Mark Freed:** It is a huge problem. In our evidence, 50% of the women we asked said that they had been sexually harassed or had experienced misogyny in the workplace. Not one of them wanted me to share their name, for obvious reasons. Not one of them wanted to come here in person today, which is why I am here.

I got a letter yesterday from one of our members. It is a harrowing letter. The last paragraph reads, "So many otherwise at least relatively good men turned a blind eye because he was a partner and dealing with his behaviour was probably too problematic."

You are talking about male allies. This is a male problem. This is happening to our mothers, our wives, our girlfriends, our sisters and our daughters. Men have to stand up and solve the problem in the workplace at all levels every day.

**Chair:** In terms of the FCA whistleblower hotline, when we have the FCA



in to talk about this we will ask about that. The *FT* has reported that there has been skyrocketing reporting to the whistleblower hotline. We will try to get some data on that.

**Q28 Dame Angela Eagle:** We really cannot solve any of these softer issues of inclusion and diversity in the City or in any workplace unless we solve the harder aggressive end of sexual harassment and worse.

If we look at what happened with Odey Asset Management, for example, there was 30 years of constant behaviour that everybody saw and everybody will have known about. It was happening in plain sight. Nobody did anything about it until the victims, who were all traumatised and some of whom were raped, went to court. In the end, after 30 years of this behaviour, the person responsible has been ruined because the *FT* did an extremely important piece of work.

There was a similar issue at the CBI. Blind eyes were turned to misbehaviour, sexual harassment and sexual assault until it got to the stage where the existence of the organisation itself came into question. All of a sudden, a female CEO is found to try to rescue the situation. You could also look at Barclays and what has happened there.

At the severe end, when this stuff is happening in plain sight, everybody knows about it and nobody does anything about it, it can in the end—if we have a free press that will report it—lead to disaster for the organisation. The chances of that happening are very small, are they not? Meanwhile, the victims are left to fend for themselves. I want to ask about the harder end of these questions. This is not acceptable. It is particularly bad in the City. What can be done about it?

**Chair:** We want to particularly focus on examples since 2018.

**Alesha De-Freitas:** The Worker Protection Bill will make a significant difference because it will force companies not to be complicit in what is happening in their name. It will allow enforcement against those companies. It is not unreasonable that the future of those companies is called into question when they are found to have been complicit, to have known about things that are going on and to have turned a blind eye. That goes beyond financial services, but clearly that is at the sharp end.

I hope this is a real awakening for industry to say that this is no longer tolerated, for us as a country to say that it is no longer tolerated and particularly for certain sectors to say that this is not the way we are going to go about doing things. It also comes back to that point about how you make sure there are safe routes for people to speak up.

**Q29 Dame Angela Eagle:** At the moment, you are putting all the pressure on the people who have been assaulted to report it in an environment where they are not going to be listened to, are going to be got rid of and are going to be blamed.

**Fiona Mackenzie:** The *FT* is probably the most effective measure we have at the moment. There is this extraordinary situation where the *FT* is



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the thing that fixes these problems. That is completely the wrong way around.

Q30 **Dame Angela Eagle:** They had to take a big risk because this man is extremely powerful and very rich.

**Fiona Mackenzie:** Yes. It is totally wrong-headed. I would be very hopeful that this Bill makes a difference.

I have a very bleak view. We have done campaigning in other areas. I personally have not managed to change the dial much on violence against women when I have campaigned on it. I fear that we view sexual harassment of women in the workplace and in financial services as something that firms should always be expecting to have to deal with. We can do all the good stuff around governance, pressure from boards and the like to try to change it, but ultimately it will probably rely on very brave women being supported by journalists, parliamentarians, regulators and others trying to move this along. Ultimately, that is a pretty bleak situation to be in.

**Baroness Morrissey:** This is where we can look to the regulators as well. As I mentioned, both the PRA, which regulates banks and insurance firms, and the FCA, which regulates asset managers, have published consultation papers over the last couple of weeks.

**Dame Angela Eagle:** I am going to ask about that in a minute.

**Baroness Morrissey:** I want to say that we need something with teeth. We should not leave this to boards. Enough is enough. We have had long enough on that. Cases like Barclays, et cetera, show that this is not happening.

**Dame Angela Eagle:** Crispin Odey passed “fit and proper tests” all the way through this.

**Baroness Morrissey:** Exactly. It was not included in the references.

Q31 **Dame Angela Eagle:** I am somewhat sceptical about how we can do this. The consultation they have put out is pretty pathetic when it comes to dealing with the issue before us. We are both from an institution that also has a difficulty with this, if I could put it that way. Although it is not brilliant—it is flawed at the moment—totally independent regulation that is very strict is beginning to demonstrate to perpetrators that this behaviour will not be tolerated any more.

What would be the equivalent for the financial services industry of that kind of approach?

**Baroness Morrissey:** It does come under the conduct rules that the FCA has and the supervisory framework that the PRA has.

I know people who have been let go from two firms for sexual harassment. If you look up their names on the FCA register—I am not



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going to divulge them—they are certified people with absolutely unblemished records. There is nothing about this in fitness and propriety, regulatory reference or the certification regime at present. It needs to be baked in.

You have said we will come back to the FCA paper in a moment. There are certain things that are very problematic about how it has been phrased. It needs to have real teeth and there needs to be clear guidance for firms on what is unacceptable.

I would also want to emphasise that one of the most dispiriting things I have encountered, particularly during the collection of the SafeSpace data, is women standing by. I just want to put that on the record. I am 57. Women of my generation have told me, “We toughed it out, Helena.” It is not good enough. I got involved in all this because I wanted to make things better for the next generation of women behind me. We need to create a different environment where women feel it is their responsibility to look out for the next generation.

Q32 **Dame Angela Eagle:** There is a culture of fear.

**Baroness Morrissey:** These are senior women.

**Dame Angela Eagle:** Yes, but, if the consequences of reporting what is going on in everybody’s face, usually hiding in not-so-plain sight, are so catastrophic, people who are career-minded will take the route of least resistance, rather like electricity through wires. They will turn away; they will not report it. There is this whistleblowing line, but how can we have something that is independent, with proper enforcement powers, and that will begin to make men who behave like this think, “This might ruin my career”?

**Mark Freed:** There is not one answer to this. It is a really complex issue. We all need to own it. The regulator needs to own it; Parliament needs to own it; boards need to own it; and teams within organisations need to own it.

What has changed in recent years—we are talking about Odey, the CBI and Barclays—is that this behaviour is starting to have consequences for men and not the women.

**Dame Angela Eagle:** That is only at the very extreme end.

**Mark Freed:** Yes, it is, but it is starting. There are things happening, including to the firms. Unfortunately, we need more of that to stop the behaviour.

Q33 **Dame Angela Eagle:** To what extent, Mr Freed, ought the FCA and the PRA to change what they do, particularly about the “fit and proper” element and the non-financial misconduct element, and start saying, “There will be consequences if you behave like this; they will be career-ending”? How does that look? From looking at their consultation, my view





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is that they are nowhere near that yet. What would you like to see?

**Mark Freed:** I would like to see severe consequences, yes.

Q34 **Dame Angela Eagle:** How would that work?

**Mark Freed:** It would need to work through people feeling safe to report, and through proper investigations. The people who are the perpetrators of this need to be taken out of the industry.

Q35 **Dame Angela Eagle:** Do we need independent investigations from outside firms?

**Mark Freed:** The consultation is going on. I am not sure I know all the answers to this myself.

**Baroness Morrissey:** We are at the stage where we might need independent investigations. Again, in all of these cases that have come to my attention of late, I am the only person who gets to see everything unanonymised. People are very frightened about anything being disclosed.

**Dame Angela Eagle:** That is an illustration in itself.

**Baroness Morrissey:** At the very least, one of the things I have suggested is for there to be perhaps an adviser or a counsellor within the firm. That could be the place to go, but it is not going to have the teeth of an independent review.

I would just emphasise again the kind of disciplinary action the FCA is talking about. It has said it will take action only for particularly serious instances, or multiple instances, of bullying and harassment or similar behaviour. It has not defined "particularly serious". I was talking about this with my husband. What if someone were stalking you and you were nervous to go into work?

**Dame Angela Eagle:** Bullying is fine; this has to be serious bullying.

**Baroness Morrissey:** It is problematic. We have had clear evidence brought to our attention that firms err on the side of caution in the sanctions they apply to the perpetrator because they are afraid of ruining their career. You should not lightly ruin someone's career, obviously, but, if there are multiple pieces of evidence of very bad wrongdoing that could be criminal, they still err on the side of leniency. There has to be a complete change of pace.

**Alesha De-Freitas:** An independent regulator or an independent assessment is an excellent idea. We need to make sure that, if that happens, it is properly resourced. There is nothing more dispiriting than making a complaint and then finding that it is stuck in the system and you do not know what is happening to it. Whatever happens, it needs to be fast.



We are talking about two things. We are talking about an individual who is perpetrating harassment, and we are talking about a firm and a culture that allows that. There needs to be a sanction on both of those. What you want is for the company to be saying, "We have found this person to be sexually harassing others. We are taking action on them. Regulator, we want you to take action on them to prevent it from happening again."

**Q36 Dame Angela Eagle:** What if it is the owner of the company?

**Alesha De-Freitas:** That is where there are other issues at play. There needs to be a responsibility sitting at both of those levels.

**Q37 Dame Angela Eagle:** Are there any other observations about enforcement and whether we can get something independent that will at least raise the spectre of consequences for perpetrators?

**Fiona Mackenzie:** It is so challenging because so much of this is happening at a lower level in the organisation. These are not people who are going through "fit and proper" tests. They are junior managers, for instance, who are doing things on the scale of uncomfortable to criminal. I very much like the idea of fines and really toothy intervention by regulators.

This is the problem. We have the FCA whistleblowing hotline, which no one knows about. It is not very clear to women what happens when you call that number. Is your life about to get much worse? As the regulators are thinking about this, they perhaps need to set out very clearly what their vision is for how they will enforce this, not just at the top of companies or at senior management level. If they are frequently hearing from women who are experiencing sexual harassment in an organisation, what action would they take? They probably are better placed than advocacy groups or a new organisation to get into this because they have real powers to act against firms that breach the rules.

**Chair:** Were there any other points that you were burning to make in this session? We have covered the ground very thoroughly. We have not heard the answer to John's question on examples of what works on unconscious bias or Siobhain's question about what works on closing the pay gap, but we have heard a lot of granular suggestions of things that could change. John, you have one quick further question.

**Q38 Mr Baron:** Yes, I have one very quick further question on unconscious bias. We all share the same view in this room, but what worries me and perhaps others is the fact that there seems to be a lack of attention or certainly results when it comes to unconscious bias in the workplace. I am talking about women's participation at higher levels. I would just ask you to think about that. Without taking any more time, could you write to us afterwards and say what is happening to counter that?

I am talking about flexible working; I am talking about visits that are deemed to be absolutely necessary; I am talking about people taking time out and a more teamwork approach, which the industry is moving



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towards very slowly. When it comes to women's participation, it is too slow. They are hardly making any progress at all despite the best of intentions. If you could write to us on that as to what concrete measures we could introduce, it would help us produce our report.

**Siobhain McDonagh:** There is no such thing as unconscious bias. All bias is conscious.

**Alesha De-Freitas:** Unconscious bias is often used to let people off the hook. The more we talk about these issues and the more we use data to highlight where those gaps are, the less excuse there is for people to claim unconscious bias. We know there is a problem. We know that firms are out there solving this problem. Why are some firms not going down that route?

**Mr Baron:** Please include that in your response.

**Baroness Morrissey:** You asked whether there was anything we are missing. I agree with the point that bias is usually or often conscious. There has been a lot of emphasis on tone from the top. We have talked about governance. That is generally the focus, certainly in the Women in Finance Charter.

It is also about the tone within. It is about the middle. Most people do not work for the CEO. They work for somebody quite a bit lower down the organisation. If we want any solutions we come up with to work, we will need to convert—I know people do not like that word because it has religious connotations—or persuade people that it is in their interests, that this is the right thing to do and that this is going to make the company better. That is where our focus has to be. A lot of the recommendations and initiatives that have been set up have tended to focus on the top management. Now we have to look lower than that.

**Mark Freed:** In addition to human bias, we also need to look at the bias in the machine—the bias in the recruitment processes. Our firms are recognising that it takes longer and costs more to recruit a woman. It was in the Women in Finance Charter blueprint. They are not doing anything about that. They are not changing the way they recruit and their processes. There is a huge amount of bias in our processes and procedures as well as in our human interactions.

**Chair:** Thank you so much. The reason the Committee is looking at the evolution since 2018 is that we have been shocked to see what a significant issue it still is in a sector that is an incredible engine of growth in our country. If we can get things right in this sector and make some progress on these recommendations and the issues that have been raised today, it will help the prosperity of the UK as a whole. I really do thank you for your time today and for the evidence you have taken such trouble to submit to our Committee, both in person and in writing.