HOUSE OF COMMONS

Treasury Committee

Oral evidence: Women in Finance, HC 477

Tuesday 9 January 2018

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Watch the meeting

Members present: Nicky Morgan (Chair); Rushanara Ali; Stephen Hammond; Stewart Hosie; Mr Alister Jack; Alison McGovern; Catherine McKinnell; Kit Malthouse; John Mann; Wes Streeting.

Questions 82 - 148

Witnesses

I: Jon Terry, Partner, PricewaterhouseCoopers; Michael Henning, Head of Investment, Mason Blake; Kate Grussing, Founder and Managing Director, Sapphire Partners.

Examination of witnesses

Witnesses: Jon Terry, Michael Henning and Kate Grussing.

Q82 **Chair:** Good morning, and thank you very much indeed for being here this morning for this very interesting inquiry, and for being our first panel for 2018. For the benefit of those who are both here in the room and those who are watching online, I am going to ask you first of all to introduce yourselves for the record.

Jon Terry: Hello, Nicky. I am Jon Terry; I am a partner at PwC, with whom I have been working for 30 years. I am a global financial services HR consulting leader, leading a practice advising financial services firms on their people challenges. I am a UK diversity and inclusion practice leader, helping out firms that we advise on their diversity and inclusion challenges.

Kate Grussing: I am Kate Grussing, the managing director and founder of Sapphire Partners, an executive search boutique that is 13 years old. I have been working in the City for 30 years and a large part of our client base is financial services.

Michael Henning: I am Michael Henning. I work for a company called Mason Blake, and we are an asset management recruitment agency specialising in this sector. We have been going for 20 years and I have personally been working with the firm for seven years.

Q83 **Chair:** Thank you all very much indeed for coming in. Colleagues around the table are going to ask various questions. This is the second in our Women in Finance hearings. I was particularly keen that we should hear from those involved in recruitment practices in this area. It would be interesting to know what role recruiters, executive research firms and HR consultants have in promoting gender diversity within the financial services sector.

Jon Terry: All of the above that you describe have a very critical role. I do not think there is any doubt that biases remain within the recruitment processes in financial services. The vast majority of those are unconscious rather than deliberate biases, but having challenge processes and challenges to decisions that are being made by the companies as they are recruiting is absolutely critical, whether that comes from HR consultants or from recruitment agencies. It is really important to put the challenge in the process itself. That is not to say that many organisations—in particular, the larger organisations that are much better geared up with their internal resources—do not have challenge processes themselves, but external challenge can be extremely valuable.

Kate Grussing: The roles of head-hunters, recruiting firms and consultancies are critical, but the vast majority of financial services recruiting is done internally, through either their graduate programmes or internal resourcing. Both parties have to work closely in tandem. The search and recruiting businesses have gone through enormous challenges, thanks to technology and thanks to companies demanding better value from their recruiters and executive search firms, but they both have an important role to play.

Michael Henning: Recruiters need to be challenging our clients on their selection process and who is involved in that, and going back to advertising and how those adverts are written. We play a key role in challenging, and we need to be able to do more to challenge our clients as well. That is something that a lot of recruitment firms are now aware of and that they need to do as well. Certainly in the last 12 to 18 months we as an agency have been more proactive in that; we are trying to make a positive action in it as well.

Q84 **Chair:** Just on that, why particularly in the last 18 months? How much do all of you have to challenge, whether it is external advice or internal? How much do you still have to work to ensure there is more diversity on shortlists?

Michael Henning: In the last 12 to 18 months there have been things like the Women in Finance Charter and other industry initiatives. I am sure firms have been aware of it before, but I think now they need to know that this is a catalyst for change for them. For them, that has made sure that they have a recruitment strategy when it comes to diversity and what they expect from their recruitment partners. Like a lot of other agencies, we have been brought on board, and this is something we have also had discussions about with our clients. It is something I have personally noticed more of.

Kate Grussing: I would add that financial services have been under incredible strain since the crisis, so most of the sector has not been growing. The role of recruiters has been more challenging because the firms have fewer empty seats to fill, so the role of a recruiter has been as a sounding board or challenging the processes, because huge recruitment is a thing of the past. I have seen an increase in interest in diversity of recruitment for the last five years, and companies have done all the obvious things. Most of the banks and financial services firms have been taking this seriously for a while. There are no silver bullets or easy answers. The issue is really looking at the processes and how they convert their pipeline.

Q85 **Chair:** Mr Terry, you are nodding there. Do you think progress has been made?

Jon Terry: Yes. There is a lot of variation across the sector. The larger banks in particular have been at this for more than a decade, since before the financial crisis. There has been a considerable amount of progress. We have done some interesting research on how seriously financial service organisations take the recruitment of senior women into their organisations. Something like 70% of financial services firms are actively looking to recruit more senior women into their organisations, which is significantly higher than in other industries. Being able to make that happen and translating that into more women coming through has been a challenge, as Kate quite rightly said, partly due to a significant reduction in the last 10 years of recruitment, but also partly due to the inbuilt biases through the system. Hence the challenges are really important.

Q86 **Chair:** I am keen to explore the pool of potential recruits that are out there. We have seen a recent example with the FCA chair who has just been appointed. In response to letters we sent, the Treasury has set out that 11 men and three women applied for the role of chair of the FCA. Now what we often hear is, "Yes, we would like to appoint more women, but there are not enough women out there, women with the expertise, enough good women". We heard that in relation to the Bank of England, and the lack of female economists, for example. With your professional experience, how true would you say that is? Is it just easier to recruit in the same image? Is it your role, particularly those of you who are working outside advising clients, to get companies to look at different people and different faces?

Michael Henning: I think it is the image, like you said. A lot of firms are possibly very fixated on their culture and the team fit that they refer to. That will perhaps mean hiring people who are very similar to what they already have, and stifling diversity. As an agency, we can maybe challenge that and try to widen that pool of candidates. A lot of this goes back to the pipeline of women coming through, and I think a lot of firms are realising that they perhaps need to focus on grassroots and get people engaged and coming into the industry, specifically in finance. Challenging what they are used to hiring is something that we can do more often.

Kate Grussing: I would add, Chair, that the role of this Committee is very important in challenging high-profile appointments like that. Clearly that appointment was advertised and there would have been a lot of scrutiny of it; 99% of roles in financial services would not have anywhere near that scrutiny. The vast majority of roles are not advertised, so there is a lot of, "I worked with Joe at my prior firm so I would like to recruit Joe to my new firm", and HR departments have been more empowered to say, "Hold on; let's run a proper process here". I would encourage this Committee to hold senior leaders of financial services to account, as well as the regulators and the Bank. The challenge is in the pipeline in the middle levels, where there is nowhere near that degree of transparency.

Jon Terry: There are two things I would like to raise. First of all, there is no doubt that financial services firms believe that the talent pool of women is lacking. In the research I quoted before, 60% of organisations said that, and that is the highest number I have ever seen, in all the years I have been working on research. Sixty percent of financial services firms said that the No. 1 reason why a sufficient amount of senior recruits are not women is that the talent pool among senior women is not sufficient. What is very interesting to me is that if you ask senior women the same question, 14% say that. Frankly, financial services firms do not get it.

There are of course exceptions to that. There are specialist roles where the overall talent pool is particularly small; there is no doubt about that. That would be the case in investment management and portfolio managers, for example, and specialist roles across banking and insurance. Extrapolating from what Kate was saying, one of the key issues is ensuring that the people who are close to getting those roles are very clear about what sort of additional capabilities and experience they require, and ensuring that those individuals have opportunities to enhance their CVs. It is about ensuring, particularly when organisations look at internal promotions, that they have control over that. That is a really, really important area, to ensure not only that the pipeline becomes healthy but that women start flowing into more senior leadership roles.

Q87 **Chair:** That is one of the things that we are going to come on to explore, presumably. One of the issues that came out of the first evidence session with Jayne-Anne Gadhia was that in my former profession of law you have a lot of women coming in as trainees but not making it to senior partner level. I think that is repeated; I do not know what the statistics for PwC are on that, for example. Is this 60%—this lack of talent—because of the number of women who are leaving the financial services sector at various points during their career?

Jon Terry: The biggest factor is a misunderstanding, if I am putting it nicely, by financial services firms on what the talent actually is. If I am looking at roles—or someone who looks like me: a late-middle aged white man in a leadership role—and I am the person who is defining that leadership role, I am much more likely to look at capabilities through my own eyes. You need that challenge to look much wider. A woman who does not have exactly those capabilities but has other capabilities could be successful in that role. That is the piece that really needs additional focus from organisations.

Q88 **Chair:** Is that not where perhaps your profession is vital, Ms Grussing and Mr Henning—to remind potential employers about other capabilities and introduce people who have the talents needed for the role, even if they would not fulfil the brief that has been given?

Kate Grussing: I could not agree more, Chair. Executive search and recruiting firms have a vital role to play in putting women on shortlists that may be at the lower end of the experience level. Certainly my firm is a pioneer in getting more women appointed than men, but the vast majority of search firms do find it tough, because they perceive that the women are not out there. Some of that is perhaps that women are less good at replying to their calls or having their CVs ready. Women are less comfortable at marketing and trumpeting themselves, so the search consultants have to work much harder, but if the vast majority of roles are not going through recruiters and search firms we are also challenged, because we might say to a client, "I have met this fantastic CFO. I really think she'd be a great advantage to your bank, Mr Client", and the bank will say, "Thank you very much, but we are doing our own recruiting", or, "We are using another search firm". It is challenging because not enough search firms invest in meeting that pipeline and finding the leaders of tomorrow.

Michael Henning: I would agree with that. Another thing is that a lot of hiring in the industry is on a short timeframe. They want this person appointed in three months or six months, and I guess sometimes it does take longer for recruitment agencies to find a more inclusive and diverse candidate pool. There are a lot of time pressures on recruitment agencies and headhunters as well, and that does not help. There needs to be a lot more from our side of challenging and offering alternative and more diverse backgrounds as well.

Q89 **Alison McGovern:** It is interesting that we have come across unconscious bias as the central problem, but as you said, Mr Terry, the answer seems to be women enhancing their CVs or taking steps to change their attitude to how they market themselves. I just want to focus on what you think the firms should do and whether or not recruiters and agencies are the right people to do it. Your experience of firms would be helpful. To all three of you, do you have experience of financial firms specifically asking for a balanced shortlist? Does that happen a lot?

Jon Terry: Yes, that is the case. That does happen, though not as much as it should do. If I may, I would like to come back to something you said earlier in the statement. The biggest issue is not women putting themselves forward and enhancing their CV. The bigger issue is organisations tackling the biases they have. They are both important, but that is a bigger issue.

As you quite rightly said, part of that is about trying to ensure balanced shortlists. That is not necessarily 50:50 and it is not necessarily 50% men and 50% women, but they should be diverse shortlists. As Kate said, part of that is having people with different experiences and about filling roles in different ways, and not the traditional way, whereby vacancies have always been looked at by, frankly, a bunch of white, late-middle-aged men.

Q90 **Alison McGovern:** That was exactly the point that I was making. Often in the discussion we arrive at unconscious bias as the driving reason, and then we list a number of things that women could do to change themselves to deal with the unconscious bias. That is both a false offer to women, because it will not work, and it also does not deal with the problem. To come back to the central problem and how you deal with that bias, with all of the discussion in the media that is going on about that subject, have you seen an increase in financial firms being conscious of diversity in recruitment? Is that something you feel is happening?

Kate Grussing: Every financial services firm in this country cannot help but feel the pressure. The fact that 162 firms signed the Women in Finance Charter is a great step forward, but it is a baby step. We need those firms to be held accountable and we need that to be tracked. There are still some significant firms that hire thousands of people and get lots of business that have not signed up. We cannot relent on the pressure at all.

The firms may say to firms like ours, “Please may we have balanced shortlists”. My worry is that we can present the best balanced shortlist in the world, but in most cases they are still going to hire the safe candidate who looks like them. That is where you have to be able to have a real challenge to the process and say, “Okay, you hired 22 MDs this year, Goldman Sachs. I am sure that you ran a very rigorous process for each of those 22, and maybe all of those shortlists were balanced, but if all 22 of those hires are men, then there is a problem”. No search firm will be doing all 22 of those, so there is very little transparency and visibility on that. They do not have to be accountable to the public or their employees.

Q91 **Alison McGovern:** Just to follow up on that, there is also increasing evidence about the benefits of mixed teams, right across public life. People are more conscious that diverse teams are better performing against a whole range of measures. Do you think that has fed through? Do you think there is a consciousness that in performance terms it might be the right thing to do?

Michael Henning: We have noticed in certain firms that there has been quite a bit of training at the middle management level. There has been a positive emphasis on it with the people who are doing a lot of the interviewing and bringing people into the business. It is emphasised that it is good for them, it is good for profits and it is good for forward performance, and firms are being made aware of the flaws around their unconscious bias. We have noticed it, but a lot more needs to go on in terms of seeing the positive emphasis.

Jon Terry: One of the problems is that the vast majority of CEOs and boards absolutely get the business benefits of diversity and absolutely get the challenge to groupthink, but the vast majority of recruitment in organisations is not done by senior leaders. There are a lot of decisions that are made that are, as Kate put it, safe and short-term decisions, whereas the benefits tend to come over the medium term. That is an issue particularly in many financial services firms, which are very focused on the short term and on short-term results. That is an issue, so part of the challenge process needs to come not just from HR departments but from senior leaders in organisations, which is really important. There are a number of things that can be done that can make that whole process much easier, but it needs to be owned and delivered by the senior leaders.

Q92 **Alison McGovern:** On the positive side, have any of the three of you seen a really great programme or something within financial services that has been innovative or that is a game-changer? Are there any examples that we should be looking at?

Kate Grussing: That is where the role of Government and this Committee to highlight best practice is really important. I would highlight two things in the last year. M&G has launched a great programme for returnships and returners in the asset management sector. It is really innovative. Asset management is one of those fields in which it takes a really long time to build up a track record. It is part of a much broader diversity project that Helena Morrissey has launched, so I think the asset management sector really is getting it.

On the flip side, I would offer you Aviva, which in the last six months has introduced shared paternity leave, which is very generous and really pioneering. I wish more companies would follow Aviva's example. I could not give you many examples in financial services of things that have been as innovative and impactful as that. Again, we need to continue to highlight best practice, because there are no easy answers.

Michael Henning: I would agree with Kate on the return-to-work programmes, because that is the level where a lot of women are leaving the industry. You mentioned M&G; many others are getting women back into their previous roles in asset management or other areas; it is about re-engaging those people to come back. In addition, the networking programmes allow young women to have visibility of these role models in the industry. We have noticed a number of firms doing that as well. They are key things. It is just a starting point, but asset management firms are doing something.

Jon Terry: If I can add, talking about asset management, I am privileged to be on the steering committee of a diversity project chaired by Helena Morrissey, and it is a really good example of the industry coming together, as is the returners programme, which is about 50 major asset management firms acting together. There is a really good process they are using around university attraction; they are trying to ensure that firms go to a wider group of universities, not just those universities and degrees that are dominated by men from public schools. Organisations can do that much more effectively when they come together, because they are each recruiting fairly small numbers, but if they work collaboratively and all tap into a pretty large pool, it is much easier to do. There are certain things that industry groups can do together much more effectively than they can individually.

The other thing I would raise is role profiles and descriptions of jobs that organisations are trying to fill. It is about looking at the capabilities and experience required, and ensuring those are described from a perspective that is gender-neutral. I have seen many examples, in banking and other sectors, where a lot of work has been done. From a man's perspective, you think, "I am not sure whether that is making a great deal of difference".

One of the examples I often quote is the market risk area. Quite often, particularly for senior roles, you see words like "expert" used. It is a truism that that has put off the vast majority of women, who believe they need years and years of experience to be an expert, whereas a man can do something for three weeks and be an expert. I am obviously exaggerating, but challenging those role profiles and working, both internally and externally, to ensure that they are neutral is really important. There has been a lot of progress on that.

Q93 **Alison McGovern:** That is really interesting. Does anyone else want to add anything about that?

Kate Grussing: Financial services and asset management are critical sectors for this economy, so it is for this Committee to promote best practice and think about the innovative things it can do in a more collaborative way. We cannot take it for granted that our strength in financial services is going to continue. In answer to your earlier question, an amazing number of studies come out every year showing that companies that are more diverse are more profitable and productive. There is a huge disconnect, because that has not fallen through. I think the research is valid; last year something like 46 pieces of research came out on this subject. Obviously things are not working. We need to take different measures. Gender pay gap reporting is a great example of the sort of disclosure and transparency that UK companies are at the forefront of.

Q94 **John Mann:** We are in danger of a bit too much backslapping all round, including to this Committee. I would like to challenge this concept that the senior echelons get it. In traditional parliamentary style, I have been on this Committee for a long time, so I have been to a lot of hearings. I have never noted a single occasion when a senior person in finance has raised gender diversity, other than when they were asked about it. Why do you think that is? We are talking about hundreds of hearings.

Jon Terry: You make a very good point. The critical issue here is where in the priorities of senior leadership gender diversity sits. What I meant by senior leaders getting it is that they understand that diverse teams are more successful. They understand that diverse organisations are more successful.

Q95 **John Mann:** That does not stop them getting multiple non-executive roles themselves and then giving their mate the non-executive job that their mate has just given them. I have seen plenty of that, with the revolving doors. For the record, I exclude your good selves from this, but I have seen plenty of people sat there with a different hat on when they have been in before, and then they re-emerge 10 years later slightly greyer, like me, or significantly greyer. They have managed to work their way through.

Let me put it another way. I bring 50 of the brightest 16-year-olds down here for a week, and I have done it for the last decade. I take them into every sector. Law has always offered placements and other things to try to recruit. Heavy industry has always tried to recruit. Media has not been that good but occasionally has tried to incentivise some of those kids coming in. Fashion has always done so. We have always been to the financial sector—always, every year, and usually to more than one part of it. Never once, on any occasion, has anyone ever suggested that to 1,000 bright 16-year-olds, or even tried to sell the industry as a career to them. Why is that?

Jon Terry: First of all, many of the large financial services organisations do have internship programmes, and they do bring in youngsters even before they have left school or university. However, there is a trust gap issue here, which is really important. There is no doubt that younger people—so-called millennials—view financial services in a much worse light than they view many other industries. In fact, it is viewed worse than any other industry in the UK. That is linked to the lack of trust in the financial services organisations and the industry itself.

I agree that financial services organisations need to work much harder in linking up and collaborating with initiatives. Diversity and inclusion can play a really important, positive part in rebuilding some of that trust that has been lost. I do agree that we need to do more; there is no question about that.

Kate Grussing: That is why something like the HM Treasury Women in Finance Charter is a great stepping stone. The organisations that have signed up have made commitments, and in the best companies that has provoked really good discussions around, "Can we sign up? How are we going to deliver? Do we have the confidence?" Obviously, banks are not required to sign up, and it is unclear how the financial services firms are going to have their feet held to the fire. I would agree with you about the need to be sceptical; actions are a lot louder and more important here than words. For those 162 firms, great, but I am hoping that they are going to feel really accountable, publically, not just for the next 12 months but for the next 10 years. I also hope that a light is shone on the companies that have not deemed it important or relevant enough to sign up to.

Q96 **John Mann:** How significant and symbolic is the makeup of the senior echelons of the Treasury, of the Treasury Select Committee in Parliament, and of the higher echelons of the Bank of England, including the Monetary Policy Committee and the court? How symbolic and significant is their gender diversity in all of this?

Jon Terry: Role models count. I do not think there is any doubt about that. Symbols are really important. That really matters, whether it is in the sort of organisations you have just talked about or in financial services firms. Young people look up to see whether there are people in leadership roles who look like them and come from similar backgrounds, and if there are, that gives them a lot of confidence that they can succeed in the organisation. I am afraid that in financial services too many people look up and feel that it is just going to be too difficult to fulfil their potential. Those sorts of symbols you just talked about are very important.

Michael Henning: It comes back to that point of the image in the industry. Young people, regardless of their background, want to work in modern, inclusive environments. That is why financial services companies are getting competition from big tech firms now when it comes to hiring graduates; they need to do more to improve the PR of the industry and the image. A lot of damage has been done by the financial crisis, in terms of trust in the industry and, like Jon said, in terms of the upper echelons of most of these firms as well. They can do more from a PR perspective.

Q97 **John Mann:** I have a final question on academics, otherwise known as economists: why are they so pitifully bad at attracting young women, not just from my area but well beyond, into economics courses at universities?

Kate Grussing: The best piece I have seen on this in my 25-plus years is in this week's *Economist.* There is a special four or five-page report on why economics is such a poor profession at attracting and retaining. I studied economics and the challenge is that women are not getting into it even at the most junior level. That is where the role of Government is important, way back in the pipeline, long before the recruiters or banks, in encouraging girls to study maths and economics. Their numbers are pitifully low.

Q98 **Wes Streeting:** Let me just pick up where John left off. The point about recruitment to economics courses and that very first point of entry in terms of attracting talent is well made, and I do not downplay anything that has been said so far. However, I am always slightly cynical where, in any aspect of a debate about diversity, all roads lead back to education, and it is all the schools' fault because there are not enough girls doing maths and science, which means that they do not do A-level economics and maths, which means they do not do maths at university. Suddenly, we are all turning back to schools and blaming them. To go back to the Chair's point at the very beginning, Jayne-Anne Gadhia notes in her report with Virgin Money and HMT that at entry level in the financial services, 66% of recruits are women. That then falls to 33% of middle managers, and by senior management it falls further, to 18%. There is undoubtedly more that could be done at entry level, but when 66% of entrants in the sector are women and so few progress to senior management, there is clearly an industry problem and the industry cannot point to elsewhere.

On a similar theme, the survey of Women in Finance Charter signatories, conducted by New Financial, identified a range of concerns that I want to explore, one of which was an identified shortage of qualified women. I just wonder whether the industry gets it, because I can see qualified women coming into the industry—that is evidenced—but they are not progressing. Why not?

Jon Terry: The biggest reason is in relation to the biases through the promotion processes. From one of our surveys, which was a very extensive survey, over 60% of female millennials in financial services said that the promotion processes within their organisations were biased towards men. The biggest reason for that is that the significant majority of the decision-making, particularly middle management upwards, for promotions is done by men.

Where we have seen significant improvement—and there has been improvement—is where organisations have recognised that is the case, have looked very hard at every part of the promotion process, including what skills and experiences are really required and challenged how those processes are carried out. I absolutely agree with you that, yes, there is a recruitment issue; we want particularly more senior women either returning and/or coming from other industries into the industry, but a significant majority of the issues are held within the organisations themselves.

Kate Grussing: I completely agree with what Jon said. The recruitment issue is at a senior level, not at a junior level, but that 60-some% also measures everyone being recruited, whether they are a secretary or an economist or a banker or an accountant.

Q99 **Wes Streeting:** Michael, please feel free to add something in a moment, but I just want to pick up on Kate's final point, because one of the things I wanted to explore was the profile of entrants to the industry and the types of jobs people are doing. Again, Jayne-Anne Gadhia said in her report, *Empowering Productivity*, that over 50% of HR and comms executives are women, but when you look at roles like chief executive officer, chief operating officer, CFO and CIO, the proportion of women is very low; we are talking between 6% and 13%. Michael can come in at this point, and the rest of the panel should feel free to add anything else. What good practice have you seen in the industry when it comes to improving the balance and profile of women across a range of roles in the financial services industry?

Michael Henning: In the asset management sector, around 20 or 25 companies are involved in the Investment 2020 programme, which is targeting diversity priority areas that are very male-dominated, and even from the entry level pushing women towards roles in that area, on the fund management and operations side. It comes back to the start of a pipeline and ensuring that talent is coming through, so you do not have the same problem in 10 or 15 years' time, with no women qualified to take on the role. That is a good initiative and it is something we have noticed in the last few years.

Q100 **Wes Streeting:** Is there any other good practice on that front, Kate or Jon?

Kate Grussing: I would highlight flexible working and agile working. They are obviously a major trend in why women stay and succeed. Some organisations, like the FCA, seem to do this very well. Most large financial services firms struggle. One of the anomalies and challenges with the gender pay gap is that, gender pay information for a company that supports flexible working and has lots of women working flexibly is going to look poor, because the bonus calculations do not incorporate flexible working. Not all women want to work flexibly, but certainly at really important times in their career it is essential for them to think they can keep their careers on track, so we need more men not just to support flexible working for the women in their teams but to see it as something that is relevant to them.

Wes Streeting: Yes, I was about to make the same point, thank you.

Jon Terry: I would add to that particular point. Flexible working is absolutely crucial, not just for women but throughout the whole organisation. An organisation focused on creating an inclusive workplace where everybody, irrespective of gender, ethnicity, background or sexual orientation, has equal opportunities to fulfil their potential has to look at the way in which jobs are fulfilled and carried out. There is still, in parts of the industry, too much of a traditional way of looking at roles. However, Investment 2020 is one of those initiatives, and there are many that are carried out by individual organisations, where they are looking very hard at expanding the flexible working policies across roles, particularly front office roles, where there is a real problem. There is a real problem with the lack of women in middle management, let alone in senior management roles, and a lot of that is to do with the working style, the working hours required and the lack of flexibility. But when you look at the roles themselves, many of those could be done much more flexibly. We have seen a lot of improvement in that, but there is still a long way to go. Some could be done through industry initiatives, and the larger firms can do a lot more of that themselves.

Q101 **Wes Streeting:** One area we have not addressed is the multiple types of discrimination that women can experience. There has been a very welcome focus on women in finance, which is great, but women are diverse. I wonder whether you think there is sufficient focus or, perhaps even better, some good practice on looking at the discrimination and barriers that BME women, lesbian, bisexual and trans women, women from overseas and disabled women—the wide range of groups—might face in terms of discrimination. I represent a constituency on the London-Essex border, and lots of my constituents work in the City, but I wonder what I can say to black and Asian girls in schools in my constituency about their prospects, for example, if they enter the financial services industry.

Kate Grussing: I would like to tackle that one. There has never been a better time to be a girl. Those girls need to get good educations and certainly have sponsors and mentors, and certainly there are far too few BME women in positions of leadership—no question. I see organisations doing a wonderful job of mentoring and supporting their BME women in junior and mid-level roles, but their numbers are too small; that is absolutely correct.

Jon Terry: Those organisations that have been focusing on diversity and inclusion for much longer—and in the financial services that is typically the larger banks—focus across the diversity agenda, across the dimensions, not just across gender. Those organisations that are, if you like, more recent to beginning to address the issues are primarily focused singly on gender. That is understandable because, by definition, it is the largest minority and fixing that fixes a lot else, particularly when you start fixing the policies and the processes. There is a separation with some organisations, typically the larger ones, which have inclusion and diversity policies across the dimension and are focusing across.

However, just to emphasise what Kate said, there is the point I made earlier about role models. There are not enough role models for women who are in a so-called minority in more than one dimension. There are nowhere near enough role models for them. That pipeline is becoming healthier, but it is still not healthy enough, and we need those to be addressed across the whole of the industry, not just in a fairly small number of the larger organisations.

Q102 **Wes Streeting:** Michael, is there any good news on this front, or do you agree with what we have heard from Kate and Jon, which is that this is a challenge and it is going to take time?

Michael Henning: I would agree. Obviously gender is just the start. In financial services, social background and ethnicity are other big issues, if not as important. It needs to start now and this needs to be used as a catalyst for change; finding role models in the industry and those mentor and networking schemes will help as well.

Q103 **Chair:** Just to follow up on Wes's point there, Mr Terry, you represent PricewaterhouseCoopers, a big organisation and a big brand. What happens internally within PwC in terms of listening? Obviously, we all think that flexible and agile working and mentoring networks are important, but do you hold an annual staff engagement survey or ask people what would make a difference and allow them to accept a promotion or stay in the company?

Jon Terry: We run a survey we call "You Matter", because our people do matter. We run that survey twice a year, over 90% of our people respond, and we have nearly 20,000 employees in the UK. A big chunk of the survey is on these wider inclusion issues, which are really important. The point you made, Chair, about listening to your people is absolutely critical. I quoted a few stats earlier, but one of the issues is that organisations believe they understand the issues, but without listening to their own people they can easily be wrong. Particularly on the gender perspective in financial services, over 50% of financial services millennials believe that their organisations are not doing enough to address diversity issues, particularly through the promotion processes. Organisations really need to listen to that, and I am pleased to say that we take this very seriously in my organisation. For example, enhancements to what we call our agility policy and our flexible working policy over the last two years have been a direct result of getting that feedback.

Q104 **Stewart Hosie:** Kate, can I ask you something, given that your background is with JP Morgan, McKinsey and Morgan Stanley so you have an insight? Jayne-Anne Gadhia, in the *Telegraph* article, said that one of the reasons women leave the industry—not join, but leave the industry—is down to alpha male banking, wanting to win, the "masters of the universe" approach and winning at all costs rather than doing the right thing. How far do you think that culture is a barrier to women staying in the industry and reaching board or executive level in a firm?

Kate Grussing: When I started my career in the 1980s on Wall Street, certainly that culture was much more prevalent. One of the silver linings of the financial crisis has been the change in culture and the strong hand of the regulators to do things like bonus clawbacks and making the industry much more accountable. There is no question: it is still a very competitive, intense and demanding sector. Our firms here compete with firms, banks and brokers from around the world, so we do not bend over backwards to help British banks or British stockbrokers or British insurers; it is a very global game. I have made my career here for the last 25 years, and I do worry that the US and Europe may win more of a share of the business in financial services that the UK has been able to dominate.

Women are a good influence on the sector. You see a lot of women who are chief risk officers, for example, and there was the famous quote: if it was Lehman Sisters instead of Lehman Brothers, would the sector have got into the trouble it did? I am cautiously optimistic, but there are too few women in those risk-taking roles still. They are in the roles that Mr Streeting identified, in terms of HR, finance, compliance and legal. There are very few women heading up trading desks, acting as CEOs or taking those big risk decisions.

Q105 **Stewart Hosie:** You think there has been a slight improvement since this culture was at its peak in the 1980s. What more can be done to counteract that alpha male approach, if it is still there to some extent—flying by the seat of your pants, pushing back against the regulators, maxing out the bonus pot? What else could be done to challenge that culture?

Jon Terry: The role of the regulator is very important. The FCA's focus on conduct and culture over the last few years has been very important. Primarily that has been within the banking sector and it needs to go across other sectors as well. The introduction of the Senior Managers and Certification Regime has been an important step. A less talked about part of that is the conduct rules around that regime as well. At the moment, of course, that is within banking, but it is coming through into insurance and asset wealth management. A greater focus on the conduct aspect of the Senior Managers and Certification Regime would be very important. However, that is just a regulatory framework. The culture of organisations is led from the top and is embedded by individuals on the ground who manage their teams. The biggest step forward that could be made in relation to that is the delivery of some of the things we have been talking about, which is a wider diversity within middle management and senior management roles, because those micro cultures really make up the overall culture of the organisation.

Q106 **Stewart Hosie:** That is the key point I wanted to get to. Everything you have described—and it is important—is very managerial. It is the framework, and you are right about diversity, so let me ask you all what critical mass of women is needed on boards to finally see a real sea change? Or is that too simplistic an approach to take?

Kate Grussing: I do not think boards is the answer. In the UK, the voluntary approach has done an excellent job of getting women well represented on boards. That has been the easy part. The work of the Hampton-Alexander committee and the Jayne-Anne Gadhia review looking at women in the pipeline is the tough and most important job. That is where the decisions are made, whether it is pay or promotions or redundancies or giving people special assignments. That is where it is very difficult, whether I am a search consultant or a new employee, to have visibility. Looking at what the representation of women is or ethnic diversity on a company's board does not tell me anything about it, nor do overall figures or gender pay gaps. For that transparency, the regulators have been helpful, but I would give a lot of credit to the media. Look at the focus that organisations like the *FT* have had on the companies that have misreported their gender pay gap; it is fantastic that the *FT* has been shining a light on that.

Q107 **Stewart Hosie:** The key answer to the question, then, is not the boards, however important that might be, but women in the pipeline and then the visibility of good, able, up-and-coming women to senior management within the organisation.

Kate Grussing: That is the CEO's job, yes.

Q108 **Stewart Hosie:** Other than taking the chief executive or the chief operating officer by the scruff of the neck and pointing him at an able young woman and saying, "This kid could take your job in 20 years", how do you do that?

Jon Terry: The overall focus on so-called pipeline management is really important and part of that is doing exactly what you have just described. Part of that is highlighting really able, diverse individuals within the organisation and that is the role of both HR and the business leaders. However, if they are required to do that, if they are required to have a pipeline and a succession framework that forces them to look at all their diverse individuals and to put in place, frankly, equal opportunities so they can gain greater capabilities and experience, that is when you start getting real acceleration. We are beginning to see that in a small number—and it is only a small number—of organisations in the sector. The frameworks can be delivered down by senior management, requiring pipeline management to really improve.

Q109 **Stewart Hosie:** Therefore, the more often we ask chief executives, "How many young, diverse, talented people in your organisation have you spoken to this week?" the better.

Jon Terry: Absolutely.

Q110 **Stewart Hosie:** I thought that would be the answer, but I just wanted to check. I have one final question. Jon, you spoke earlier about looking at the way roles were fulfilled and about flexible working. One of the things that jumps off the page is this whole issue about "presenteeism"; men are very good at being there early in the morning, late at night, macho, going to the same golf club. It is all dreadful. Women do not, because they have lives to be getting on with. How do we challenge this perception that someone is working hard because they are sitting at their desk?

Jon Terry: There are two things. First, this really needs to be led from the top. It really requires the late-middle-aged white men to be working more flexibly themselves. It really requires that, even though they might not like to do that. I work flexibly and I hate it, but I think it is very important to give permission, by my actions, to my teams. That is very important, so I would like to see more of that. There are some high-profile leaders in financial services who are doing that and we need to see more of those throughout the organisation, not just at the top. That is very important.

Q111 **Stewart Hosie:** Michael, are you empowered to work flexibly?

Michael Henning: Yes, and it is the same as financial services; technology is helping that and hopefully it will improve. Like you said, it has been one of those industries where "face time" is the thing; you need to be there to be seen to be doing the best job. That needs to be challenged. Like Jon said, it comes from the top, with people showing that, for example, working from home a couple of days a week, if need be, does not mean they are working any less. That is something we have noticed our clients are big on in the last couple of years, when they are offering people positions, and that is part of the package, with the ability to work from home when they need to.

Stewart Hosie: That is very helpful and, as an approaching-late-middle-age white man, you can probably write to the Chair and explain what "face time" means.

Q112 **Alison McGovern:** Can I just challenge you on that? Certainly my experience in politics has been when men choose to talk about their caring responsibilities and their need for flexibility, they get all the credit and, "Isn't it wonderful? He is such a great dad". When women choose to talk about their caring responsibilities, it is like, "Oh yes, here they go, banging on about caring responsibilities again". Does it actually work? My experience has been that basically we are screwed whatever. If we require flexible working, it is seen as being overly demanding, but if other people require flexible working, then they almost get credit in addition to the rest of the credit that they are getting for being a man. Sorry to be really blunt.

Jon Terry: We need to address the situation in a slightly different way. Success is when everybody is able to take advantage of flexible working, whether they have caring responsibilities or not. I have no caring responsibilities. Everyone can take advantage of that if it works for them. From an employer's perspective, it should not matter why it works for them. It matters that they have available more flexible ways of working and you have a culture where no one is asking the question, "Are you going at 4 pm on a Thursday because you have caring responsibilities?" When no one is asking that, that is when success comes in. We are definitely seeing some progress being made in relation to that, but it is too spotty and we need to have much more focus on that.

Kate Grussing: If we look at the issues relevant to the sector, part of why financial services has lost out on its attractiveness to millennials—women as well as men—has been that the consultancy and technology sectors have done a much better job of saying, "Come to us if you want to work in a more agile way". The financial services sector does need to get with the programme, or they will not be able to attract the best and the brightest.

Q113 **Chair:** Before I bring Rushanara in, I just want to ask two questions. The first is that we touched on remuneration earlier on and I think, Kate, you mentioned the word "bonuses". I just wondered if you had any further thoughts on the evidence from Jayne-Anne Gadhia that one thing women really dislike is the bonus culture, because it looks like you are having to fight for extra amounts of your salary, which, based on my experience, I would say comes less naturally to women than it does to men. Do you have any thoughts about that, perhaps about the way that you have seen successful remuneration packages put together, and if there is anything else you wanted to say on the issue of pay and the culture around pay?

Michael Henning: That is where recruitment agencies come in, in terms of advising our clients that people should be paid for their skills, not for what they were on before and their gender, because they might have been out of the industry for a couple of years. We should be able to offer that information and challenge them when they are offering positions to people.

When it comes to the bonus side of things, maybe women do miss out on the larger bonuses if they are working from home and not seen in the office as often, and that culture needs to be challenged and changed as well.

Q114 **Chair:** How does that get changed? Your industry is critical, certainly in terms of external appointments, in challenging that.

Michael Henning: Yes. For external appointments, it is providing the data to our clients about what this person, for their skills, should be paid, not just looking at what they were on before. If they have taken time out of the industry they are naturally behind the curve in that regard. From a recruitment agency perspective, we need to provide more of that data and challenge them as well.

Q115 **Chair:** Do you do that?

Michael Henning: Yes, we do. We provide the salary surveys and input when firms are discussing remuneration and what they should be paying their staff in certain roles.

Q116 **Chair:** Would you say to a client, "If you want this really great woman, she is not interested in bonuses. She will have a higher salary, but then there will not be bonuses at the end. That is what my client has said is the package that she is looking for"?

Michael Henning: Yes, stuff like that, and other benefits around that that are more important to people as well, in terms of the ability to work flexibly. Obviously, the money is there but people want other benefits as well, and firms need to be aware of that.

Kate Grussing: I know one of the most controversial recommendations by Jayne-Anne Gadhia was linking pay to performance, and I also think it is one of the most important. This is an industry that is very commercial, but increasingly any senior leader, even a middle management leader, in a financial services firm is going to be evaluated on a balanced scorecard. That is a combination of their client wins, their ability to manage costs, their ability to motivate their teams and what the morale is like. The bonus element is essential. It is not going to go away in the industry. The industry feels much more accountable and things like the clawbacks have created a much longer-term timeframe. Our women candidates do not ask about the potential pay of roles, when we call them, in the first five or 10 questions. The male candidates, when we call them, will ask about what the pay is easily in the third or the fourth question. It is a combination of things, and recruiting firms need to push their clients, saying, "Please do not look at her last bonus, because she was on maternity leave for six months" or, "Part of why she is leaving that bank is that they did not recognise her in terms of pay".

Jon Terry: There are a couple of things I would say. There are large swathes of the financial services industry where bonuses are very small. Of course, the investment banking part of the industry is much more bonus-focused, but there are large swathes where bonuses are very small. I do agree with Kate that the bonus culture is not going to go away. The critical thing, from a gender diversity perspective, is a much greater focus on what needs to be done in order to deliver value, moving away from "everything has to be done in this way; that is what success looks like"—i.e. written up in terms of how a man does the job. There might be a different way that is equally or even more successful—how a woman might do that job.

HR has a very important role here to play, with a much greater focus on what success looks like and how that is linked to bonuses. In other words, we need to re-look at the overall bonus structures in terms of what success looks like; that needs to improve. We have seen some of that, but not enough of it, to be quite honest.

Q117 **Chair:** That leads to another question I was going to ask you. Part of your work is being an HR consultancy, so I was going to ask, building on the questions from Stewart about culture, whether you have ever had an instruction from a client to the effect, "We want you to look at our culture, the micro cultures in the business, unconscious bias"? Is that something you are seeing more of—companies being aware that they need to change culture and they need somebody from outside to help them do that?

Jon Terry: We have done a lot of work, over the last five years in particular, predominantly in banking, on re-looking at the culture of the organisation. There is no question but that part of that is because the regulators focus on it—not exclusively, but it has been a big part of that. For me, that is underlined by the fact that we have done far less work outside of banking and the regulators' focus primarily, so far, has been on the banking sector.

What we tend to have seen, however, is the focus on improving culture to be that general question, not through a diversity and inclusion lens. Bringing those two together, of course, is absolutely critical and part of that is around tackling groupthink, for example. We have definitely seen a significant focus on improving culture in organisations. One of the barriers to that is that an awful lot of organisations are relatively small in size and it has been difficult for them to focus, in the short-term—this is a long-term issue again—on putting in resources to improve the overall culture. That has been a barrier for the medium and smaller-sized organisations.

Having said that, I do not want to give the impression to the Committee that all the major organisations are completely revamping their cultures; that is not true.

Q118 **Rushanara Ali:** My questions are meant to be about recruitment and unconscious bias, but I also want to talk to you about conscious bias. The business case for gender, ethnic and other forms of diversity has been well made by a lot of studies over decades now. In light of the fact, as you mentioned and as the evidence shows, that diversity is profitable, and it generates more innovation and better decision-making, do you think that the financial services sector, which is so male-dominated, is being irrational? Given the profitability motive, have they not made as much progress as they should have, in light of that evidence?

Jon Terry: I am smiling. I think it is more to do with the fact that there has been too much focus on the short term as opposed to the medium and long term. My experience of working in this sector for the last 30 years is that irrationality does not come up very often, apart from in some rogue trades that might happen. Senior leaders tend to be very rational.

Q119 **Rushanara Ali:** It is a rational decision not to do more to address the barriers that prevent them from being more profitable by being more diverse.

Jon Terry: It is a conscious decision to put that down the priority list.

Rushanara Ali: That is interesting.

Jon Terry: If you ask any board—and I am sure this Committee has done and will continue to do that—"Is diversity important to the board?" the answer will be an overwhelming "Yes". Ask them, "Is it in your top four priorities?" and very few will say, "Yes". Particularly where there is such a focus on cost control and revamping the business models, only those top three or four priorities get the real effort required.

Q120 **Rushanara Ali:** How much of this do you think is about protectionism and vested interests within these institutions, whether middle management or even senior management? I have listened to and looked at the evidence, and I have experience of working in this field of tackling discrimination. We have not talked much about discrimination this morning. Do you think that there are inbuilt problems that require much more robust, external pressure on the sector, not just through the charter but much more regulatory pressure, if we are to get really deep-seated change in this sector?

Jon Terry: If I may, there are two things to say. If you look at those financial services organisations that have women CEOs, typically they are doing a little bit better but not materially better than those organisations with male CEOs.

Rushanara Ali: That is an internal solution you are referring to. I am talking about external pressure.

Jon Terry: I understand. I was just trying to address the issue of the turkeys voting for Christmas, if you like. Kate mentioned this in a different context earlier. Shining a light on the issue and shining a light on individual organisations and the industry as a whole is really important. The financial services sector is absolutely focused on its brand. It is absolutely focused on its reputation. That is critical for its business and in dealing with its customers. Therefore, shining a light on issues like the gender pay gap and whether they are setting targets and meeting those targets is absolutely critical to push diversity up the priority list. That is the real key: how you get it pushed up the priority list of the boards.

Kate Grussing: That is where the issues of transparency and disclosure are very important. I am not a fan of big regulation, but companies could be required to show things like their gender pay gap and, at a more nuanced level, bonuses and what proportion of women are in different parts of the organisation. It is far easier for me, as an investor or an employee, to look at a company’s environmental impact and its carbon footprint than it is to look at how it manages its employees on diversity, and that is a problem. Investors find it very difficult to analyse companies from this angle, because the companies do not have to disclose very much. I would like to think that organisations that have women leaders are going to produce better results, but it is not just the CEO; it is having women in all the key decision roles. I reiterate that there are no easy answers. The sector really has been focusing on this and investing in it, but it has five or 10 other much bigger priorities and fish to fry right now.

Michael Henning: From a recruitment perspective, it comes back to the fact that a lot of the middle management are doing the bulk of the hiring into the business, so they are the ones who need to be educated when it comes to unconscious bias. Much of the training should be focused on making them aware of it and improving the selection process. That is driven from the top as well.

Q121 **Rushanara Ali:** A study that was done by a jobs site called CV-Library found that two-thirds of the workers surveyed—this is back in 2016—had experienced nepotism in the workplace. How much of that is prevalent in your work and what you have seen? By the nature of what you do, you may not have come across it, but are you aware of that being a widespread practice? How much credence should we give to surveys like this?

Jon Terry: If you look at nepotism in the broadest sense of the term, Kate touched earlier on the idea that, "I have worked with this individual over there. I like that individual. Let's have a look at them as being on the shortlist". There is no doubt that, in that sense, that is still fairly common practice. As we said earlier, it is critical to challenge those processes to ensure that you truly have diversity and are looking from a much wider perspective, rather than just individuals whom the people who are doing the recruitment know.

If I may, whether that survey is credible or not, I am going to quote a PwC survey on a similar issue. Over 50% of women millennials working in financial services believe that there are not equal opportunities for them and men. I believe that is a truism, therefore. Whether the companies believe that is true or not does not matter; the fact is that their people believe it is true. That does not necessarily come about because of nepotism. By far the biggest issue is what I call the risk factor: it is more of a risk for me to recruit you and put you on my next project, because you are different from me. You have to get over those issues by challenging the processes themselves.

Q122 **Rushanara Ali:** You are basically talking about indirect discrimination.

Jon Terry: I prefer the term "biases", but yes.

Q123 **Rushanara Ali:** It is indirect discrimination. It is legally clear in many institutions, and a lot of work has been done in the public sector to deal with indirect discrimination, which came out of the Stephen Lawrence inquiry. The public sector, albeit with lots of pressures, has made greater advances, because there was a positive duty under the Equalities Act not only to prevent direct and indirect discrimination across a series of inequalities and multiple discriminations that people experience, but also to promote equality.

Instead of thinking about unconscious bias—of course it is built into that definition of indirect discrimination—it would be better just to call it what it is, which is the point you made. Someone like me, for instance, would be considered a risk, because I am different, in a given institution, or somebody with a disability, or a woman, for that matter, in a very male-dominated environment. That whole language is the language of discrimination. Would you accept that?

Jon Terry: What I would accept is that the outcomes and the result of not looking at the decisions through the widest lens are the same, which is that women and other minority groups within the sector and much wider—this is not just a financial services issue—

Q124 **Rushanara Ali:** My point is that if there is a widespread perception among recruitment agencies or employers that someone who is different is a risk, there is an inherent and fundamental problem with the sector, because that is not even getting past base one.

Jon Terry: If I may, the issue here is that often roles are defined in such a way that it is easier for a man to demonstrate he is going to be successful in that role. That is the core issue. Therefore, when you look at, say, a woman against those role definitions, she is seen as a risk, because her capabilities do not match as well to what is perceived to be required as a man's. That is where the risk applies.

Q125 **Rushanara Ali:** Yes, so are we not leaving it too much to the goodwill of some good people in the financial services to do the right thing, when actually the widespread institutional culture, whether you call it indirect discrimination or unconscious bias, amounts to discrimination, and that requires deeper thinking about what is required in regulatory terms before they get their act together? Frankly, it is not acceptable, in the 21st century, to have that sort of widespread assumption about women, ethnic minorities and other minority groups in our country, nor is it profitable.

Jon Terry: I agree 100% that it is not acceptable and nor should it be allowed to be carried on.

Q126 **Rushanara Ali:** Those points about environmental audit, transparency and equivalence could go further, to include diversity, to hold these institutions to account, because external accountability is still lacking and internal accountability is not leading to progress fast enough.

Jon Terry: On that last point, currently there is a regulatory requirement for those organisations that are PRA regulated to disclose their diversity policy. That is very light-touch and the amount of supervision of that is light-touch. I would certainly suggest the Committee look at the regulatory requirements across the whole of financial services on not just disclosing diversity policies but the action plans that underpin those policies, which should of course include dealing with exactly the issues you have just described.

Q127 **Rushanara Ali:** My next question is related to assumptions. A report by Oliver Wyman in 2014 found that the biases and assumptions about what it takes to be an effective leader could influence hiring decisions, promotions and the allocation of career opportunities and performance evaluations. You have all touched on some of this, but can you say more about how widespread this problem is and where you have seen good examples of those issues being addressed?

Kate Grussing: The Oliver Wyman report was a wonderful deep dive into the employment of women in financial services, which had not been done to that depth previously. Financial services firms have been investing for the last decade in development programmes, flexible working programmes, women's networks, and diversity and inclusion professionals. There has been a proliferation of initiatives—a flotilla—and the challenge for most of the financial services firms has been about how many of them are yielding a sufficient return. The lack of progress of women into middle management and executive roles in financial services is staggering, given that massive investment and given the fact that it is a highly regulated sector that has had a bit of a "come to Jesus" moment in terms of its financial crisis.

I mentioned earlier organisations like Aviva, which has offered shared parental leave. I hope that many more firms will do something like that. Lloyds Bank was the first bank that set targets for where it wanted women at different levels, about three years ago. I was hugely optimistic that more banks would follow it and none have. PwC and KPMG have. I am optimistic that Lloyds will have greater success in recruiting women to it, because its targets show that that it is serious. The understanding of what impact initiatives are having is so frustrating. I look at an organisation like Credit Suisse, which has done a wonderful returner programme—really quite innovative and unlike any of the other investment banks investing in this space—but they are in a business that is shrinking. I would highlight the consultancies and the big four firms, which have done a lot to promote flexible working and alternative career paths. The big four have shown the ability to crack getting women up through their ranks, although they are not ready to say the job is done. The financial services sector more broadly has not had nearly the same success as firms like PwC, despite investing millions in it.

Q128 **Rushanara Ali:** I just have a couple of very brief questions. One of them is in relation to recruitment consultancies and agencies themselves, and how much you do to make sure that your staff are attuned to these issues, because you are, effectively, gatekeepers in helping companies and other sectors achieve these objectives. Where do you think recruitment consultants and agencies generally could improve their own practices in terms of diversity, so that they are not inadvertently part of the problem?

Michael Henning: Recruitment agencies need to be doing more when it comes to training their staff about these issues. Like you said, we are ultimately providing that initial shortlist for the firm, so if it comes to writing adverts and using gender-neutral language and ways that we can, whether it is through networking, attract—

Q129 **Rushanara Ali:** Do you advise the companies to use gender-neutral language?

Michael Henning: No, just when we are advertising on job boards.

Q130 **Rushanara Ali:** Do you also do the same with the companies that you advise, because that is another issue of the kind of language that prevents women from applying?

Michael Henning: Exactly, and it is a case of advising them on that, even when it comes to the selection committee and who has to be involved in the interview process. Rather than looking at the traditional way of doing it and the people who have always perhaps been involved in this role, more diverse backgrounds can be included when it comes to people from different areas.

Kate Grussing: An interesting measure that the Government could take would be to shine a stronger light on appointments and what proportion of women have been appointed, looking at different executive search firms and recruiters. The Government would need to do that alongside the firms themselves. If a particular bank does 95% of its appointments through its own resourcing or up through the ranks and only 5% through recruiting firms, the Government would need to ask for both—to have the banks report how many of those promotions or external appointments women have succeeded in. There is very little to no transparency on that today.

Q131 **Catherine McKinnell:** I want to continue along the same lines as Rushanara, because she has identified a big issue. I want to explore to what extent the Women in Finance Charter is the solution to that and to what extent there is still a big gap to be filled. I would be interested in your perspectives. Am I right in thinking that PwC has signed up to the charter?

Jon Terry: We have, yes. We were one of the first.

Q132 **Catherine McKinnell:** Sapphire Partners and Mason Blake have not. Is that something that you are able to do or is that something that you think recruitment agencies should be able to do, given the very important role that you have in recruiting in this sector?

Michael Henning: It is something that we should sign up to as an agency, and recruitment agencies do as well, because when it comes to this, a lot of it is the pipeline of young women in the business and we are partly responsible for the hiring of that as well. Certainly I would be in favour of recruitment agencies signing up to it and showing that they are endorsing it and working towards improvement.

Kate Grussing: Sapphire Partners won the recruiter of the year award from Women in Finance last June, really looking at our 13 years' worth of supporting women. I see the Women in Finance Charter being about holding the financial services sector's feet to the fire. Small search firms such as Sapphire or Mason Blake are not the organisations that the Women in Finance Charter is really designed to put the accountability in. The Women in Finance Charter is a fabulous stepping stone towards greater disclosure and transparency, and I would like to see more financial services firms sign up to it. I definitely see my colleagues' and my job being to try to help the firms that have signed up do a better job of bringing women into their folds.

Q133 **Catherine McKinnell:** I am interested to know whether the Women in Finance Charter should be extended or should be something that recruiters would be keen to flag to their clients and profess their own absolute commitment to. I am quite interested in the firms that have not signed up to the charter and the clients that you have dealt with that have not signed up to the charter, and the reasons they may have expressed for that. Is it simply that they have not got around to it? Is it not a priority? Is it something that they do not want to do? What is your experience of that?

Jon Terry: The first thing to say is that the 162 firms that have signed up represent something like 600,000 out of 2.2 million-ish, so it is a big chunk of the employees within the sector and associated sectors. There are two big reasons why a number of firms have not signed up. One is that many of those are owned by overseas organisations where there are global policies and processes in place. A UK focus does not necessarily work for those organisations, particularly in setting UK targets and having UK senior executives responsible for driving them. Many of those global organisations have global focuses rather than territorial focuses. I am not excusing that, I am just saying that is one of the big reasons organisations give.

It has not been my experience that organisations are not signing up because they do not take it seriously. When we have had the debate with organisations about whether or not they should be signing up and what the challenges are for them signing up, they have all taken it very seriously. It is really a question of how it fits in with their other overall approaches.

Q134 **Catherine McKinnell:** I would anticipate that the firms that are not signing up are taking it seriously. Therefore, is the reason why they are not signing up because of the level of scrutiny and the requirement that flows from that? Would that be a fair assessment?

Jon Terry: A number of those organisations that publicly disclose targets globally already have not signed up to the charter. They are comfortable to be transparent about their targets and to be judged on them. For a series of reasons, they are not comfortable having UK targets and/or to have focuses that are slightly different from what they are focusing on themselves. It would not be a fair conclusion that those that have not signed up are not taking the overall issues seriously. There may well be some—absolutely that is true—but not every one of those organisations would fall into that category, particularly some of the large organisations.

Q135 **Catherine McKinnell:** Is there anything the Government can do to broaden that sign-up, to widen and increase take-up of it, or is this something that has to come from within the sector?

Kate Grussing: This Committee would be doing a helpful service to the sector to ask the chief executives of the large financial institutions that have not signed up to come and talk to you about why they have not signed up and what they are doing instead.

Chair: We have thought about that and, yes, most definitely they are on our invitation list.

Q136 **Catherine McKinnell:** More broadly, since I joined this Committee I have noticed that the overwhelming majority of our witnesses, including today, are male, so I am aware that in the financial services sector but also in the political arena we do have a problem with gender balance. It is a challenge across the board. Do you think the Women in Finance Charter is enough to address the challenges that we are facing in the financial services sector?

Jon Terry: As you correctly say, the significant majority of leaders in financial services are men. It is important that those leaders are not just vocally supporting change but are at the coalface making change happen. I, personally, am passionate about creating inclusive workplaces both within my own organisation and in clients', and it is important that male leaders really take that role. Without that, change will not happen. Men and women have to work together to make that change happen.

Q137 **Catherine McKinnell:** To what extent do you think the Women in Finance Charter will help to achieve that? To what extent is it ticking a box and paying lip-service, or is it actually driving change?

Jon Terry: There was an interesting part of the New Financial review of the first year of the Women in Finance Charter. It said, from memory, that something like 60% of organisations had put in place actions they would not have taken without signing up to the Women in Finance Charter. That is very encouraging and it is very important to keep that under review.

Will the Women in Finance Charter on its own solve the issues? Absolutely not. Some of the core issues all of us have talked about today in evidence have been around unconscious bias. The Women in Finance Charter is, at the moment, focused on the senior levels and we have been talking a lot about how this really needs to be addressed through the pipeline and middle management levels. That could be an extension to the Women in Finance Charter. Another requirement and focus on that could help, but that area is not currently covered by the Women in Finance Charter and is core to some of the solutions that need to be found.

Q138 **Mr Jack:** Can I turn to the gender pay gap reporting? Since 6 April 2017, you will know that in the United Kingdom employers with more than 250 staff are required by law to publish their figures on the gender pay gap. How helpful do you think this might be in driving change?

Kate Grussing: It is incredibly helpful in driving change and the greater disclosure and transparency is essential. I am deeply disappointed that only 15 financial services firms have reported so far; only nine of those, as of yesterday, are organisations that are meaningful or you will have ever heard of. I do worry that the vast majority of financial services firms are waiting until the March reporting season and will come in in a pack. However, reporting is only half of the game, just like signing up to the charter is only half of the game. It is the monitoring and the tracking. Knowing what a company's gender reporting gap is today is not as interesting as knowing what they are going to do about it and then, in a year and two years' and three years' time, seeing if they have followed through.

Q139 **Mr Jack:** What gets measured gets done in business, and the problem often is if you measure the wrong thing. Measuring the gender pay gap is obviously the right thing, but it is how you measure it. When Wes was talking to you earlier about the more flexible working hours, Kate, you said that you thought that, for instance, more men should get involved in that. However, it can skew the figures. If firms are moving towards more flexible working hours, it is a good thing; if they want to bring more women employees in by recruiting more junior staff, in the short term the pay gap may look worse. Is there a risk that financial firms might withdraw from those good policies to try to massage the figures?

Kate Grussing: You are absolutely right about looking at the nuances and the subtleties, and that is where the disclosure comes with any of the banks reporting their pay policy and explaining it. TSB came out last July, and I think they were the first bank to report their gender pay gap and they were disappointed that they could not compare it, because no other bank had come out. However, what was really impressive was the 10-page report that came out with it, which showed how they had analysed and explained, and what they were doing about it. It is in that disclosure that the banks will show they are taking this seriously.

Jon Terry: If I may, the gender pay reporting is critical, so I absolutely agree with Kate. The issues relating to distortion of numbers and so on are around the edges. They are true, but they are around the edges. The number across the whole of financial services, not just across banks, will be very large. According to the ONS, in 2016 the average gender pay gap in financial services was 34%. Over the next couple of months, you will see some much bigger numbers than that. Whether that number is 42% or 43% or 44%, because of the nuances, does not matter. These numbers are very large, so I am not that concerned about that. I agree with Kate that the critical thing is for organisations to explain the numbers, to be clear what they are without any spin, to say what they think about those numbers, to say what the causes of those numbers are. That is very important, and then what they are going to do about it. There have been a number of disclosures of an encouraging nature; significantly less than 10% of firms across all sectors have, so far, disclosed. The encouraging part about that is that there has been a lot of narrative of explanation, which is very important.

In financial services, as we have mentioned before, reputation is incredibly important and organisations understand this. They are viewing gender pay reporting as a reputation risk. They are regarding this as a risk issue and that is very important, because that gets it up the agenda in terms of priorities within organisations. The ability for organisations to explain that to manage those risks is very important, so I am a big fan of that. As I say, I am much less focused on the nuances themselves.

Q140 **Mr Jack:** Do you think they have re-examined their recruitment and promotion practices too?

Jon Terry: It is too early to give you a wholehearted "Yes, they have". What I am saying has been a really good consequence, even in the first year of the disclosures, is that organisations have taken a much closer look at the root causes of the gender pay gap. In financial services, by far the biggest cause is what we have been talking about in this Committee today, which is the lack of women in senior roles, which are typically the far higher paid roles. They have taken a much closer look at that and, over the next few years, we will be able to answer that question much better.

Q141 **Mr Jack:** What do you think are the key drivers of the wider gender pay gap? I am talking between men and women in financial services. I am not talking about the numbers of women versus the numbers of men, but the fact that men, on balance, are paid more than women.

Jon Terry: There are two issues, and it does vary between the different financial services organisations. In many organisations, the biggest issue is one of demographics: the lack of women in the highest paid roles, which are typically the senior roles. For a number of those organisations that have currently disclosed, they have split out the gender pay gap for that. The second set of issues is a disproportionate number of women in the lower-paid jobs, which are typically the more junior roles. Someone quoted earlier some data from Jayne-Anne Gadhia's review, which showed that the majority of the junior roles across the sector are held by women. Those are, by far, the two biggest causes, and I would encourage organisations to be clear about which of those causes make the biggest impact on them.

Kate Grussing: As I mentioned earlier, I am concerned that the bonus calculation figure will penalise firms that are supportive of flexible working. The better a firm is at encouraging its women to work flexibly will be taken account of in the hourly pay figure, but it will not be taken account of in the way one is required to calculate the bonus figure.

Q142 **Mr Jack:** This question is to all of you. Quite simply, what is the gender pay gap in your own organisations?

Jon Terry: We have been disclosing it voluntarily since 2014 in my organisation. The gender pay gap is 13.7%, which is down 1.5% from the previous year.

Kate Grussing: At Sapphire Partners, as of today, all of our employees are female; there is no gender pay gap.

Mr Jack: That is a good answer.

Michael Henning: I do not have those figures, but in terms of, for example, managing directors in our company, it is a 50:50 spit when it comes to gender. For the overall company, it is 60:40 in favour of males, but we see ourselves as quite a diverse business in that regard.

Chair: Could you write to us with that information?

Michael Henning: Yes, I could.

Q143 **Chair:** One thing we have not touched on this morning, as a Committee, is maternity leave. You just mentioned the word "demographics", but it is a fact that female employees will be much more likely to take parental leave in the form of maternity leave, although I recognise exactly what you said, Kate, about Aviva and their scheme. I just wondered if you wanted to comment, from your professional perspectives, about the impact that women taking maternity leave has on returnships, on career progression and on staying in work.

Jon Terry: One of the biggest factors is that a significant majority of women who return go into roles that are less remunerative and less senior than the roles they left. That is across all industries, by the way, not just in financial services. That is a major issue that needs to be addressed. Some of that is organisations believing that they are being a good employer, putting them in roles that are less stressful, more flexible and so on. Those attitudes need to be seriously challenged and changed, because clearly that is not appropriate. That is a really big issue.

There is no doubt, and I agree with Kate, that the financial aspect of maternity leave and of shared parental leave is very important. We have seen that in our own organisation. We have seen 200 of our male colleagues take up shared parental leave over the last year. That is really important, but the bigger issue is encouraging mothers to return in roles that are appropriate for them and help them develop their careers more than is happening for the majority at the moment.

Q144 **Chair:** Kate, is this something that you have a lot of discussions with clients about?

Kate Grussing: Financial services firms, for the last five or 10 years, have been putting in place maternity coaching programmes and they have looked hard at improving their maternity packages, so the basic hygiene has been done. The challenges still are in the middle management decisions, so making sure that, when a women is out on maternity leave, she is not overlooked or forgotten about or not given that special assignment because people assume they should not put her under pressure. I do worry that one of the downsides of the lengthening maternity leave is that, as more younger women take longer leave, it can be harder for them to have the confidence to stay in touch, so it acts as a real hiccup in their career, when, obviously, they are still intelligent and they are still experienced. I would not say any firm has really cracked this, but firms like PwC or BlackRock or M&G are doing a much better job at maternity coaching and stay-in-touch days. If the woman is not sufficiently experienced or tenured, though, it can be very difficult and, as a search consultant, we see many women getting in touch who, when they are on maternity leave, make the decision not to go back.

Q145 **Chair:** Michael, is that something that clients raise a lot—questions about somebody's maternity leave or preferring another potential recruit because they have not taken leave?

Michael Henning: Yes, and that is the key thing. If someone is taking 12 months or two years out of the industry, the common pushback we get is, "They have been out of the market; how up to date are they on things that are going on?" and it is challenging that and, for us, getting people back into the industry. That is where these return-to-work programmes are critical in getting the women who have fallen out at middle management back into the industry and into roles that are similar to what they were doing before or roles that will put them on a trajectory towards senior leadership roles in the next five or 10 years, rather than coming back in a projects-based role or something that is perhaps lower down than what they were previously on in terms of responsibility.

Q146 **Chair:** How successful are you in challenging clients and saying, "You need to take this person seriously. Yes, they might have had 12 months out, but they were extremely good at their job before they took that time out and they will be able to return and get up to speed very quickly"? The sense I am not getting is how much you fight to really challenge clients, because much of what we have heard this morning is about assumptions and biases. Rushanara used the word "discrimination", which I know is a strong word and something that people push back against, but you were saying earlier that, if you have to fill a hole, recruiting a similar-looking man is not perceived as a risk whereas taking on somebody who is female, disabled or from a different ethnic background is perceived to be more difficult and more troublesome. How much do you really fight and challenge clients who say, "I know I want a gender-balanced list, but actually I do not really. I want to recruit exactly the same as I have had before, because I know that is safe and I am going to find that easier to explain to my shareholders"?

Michael Henning: It is something we have been conscious of doing more of in the last couple of years, and even that goes back to offering advice to people returning to work, in terms of CV writing, interview skills, getting people in to meet with us to improve that as well. It is something we need to do more of, but Mason Blake, as an agency, is very conscious that we need to do this, because we are the people who need to be challenging when it comes to hiring.

Q147 **Chair:** Do you make that clear to your junior employees and to everybody in the company?

Michael Henning: Yes, exactly. I think everyone within our firm is aware of that, and it is something we try to offer as a package to our candidates when they come to meet with us.

Kate Grussing: Sapphire Partners has been successful because we are unusual in promoting this and that is why our clients come to us. However, I do think more search consultants and recruiters need to be braver and invest more in supporting women during those more difficult stages of their careers. Not enough search consultants do invest the time and energy.

Q148 **Alison McGovern:** Jon, you gave an excellent explanation of what you feel the drivers of the gap are. I just want a very brief response on whether you think pay negotiation is part of it. From the BBC's point of view, what has become clear is that it is only when they had transparency about actual salaries and actual roles that women knew that there was effective discrimination or whatever going on. I have experience myself within organisations; it is only clear when the actual pay of actual men is disclosed to women that they realise that there is a gap and there is not equal pay for equal work. How much do you think that is a driver: that when people go into a negotiation they simply do not appreciate the going rate, because how would they know?

Jon Terry: Women are much better at negotiating pay now than they used to be. In fact, there is some conflicting research out there. Some research says that women are as effective as men at negotiating pay. However, your core point is incredibly valid, and that is one of the advantages of shining a light on gender pay reporting. One of the challenges, particularly in financial services because it has the largest gap of any industry, that financial services industries and organisations will have is from their own employees. They will have to explain to their employees why the gap is what it is and why that is not an equal pay issue and what they are trying to do to deal with those issues. My firm has been dealing with this for the last three years that it has been voluntarily disclosing, and that is when things happen. When you have to explain things, you are much more likely to take action. That is one of the reasons why I am such a fan of gender pay reporting.

Chair: Thank you all very much indeed for your evidence this morning; it is very much appreciated. Michael, you are going to write to us about the gender pay gap. If there is anything that occurs to you after you reflect on this morning that you want to let us know, then please do feel free to write to the Committee. For the meantime, thank you for your time this morning.