**Treasury Committee – Summary of the 'Sexism in the City' Engagement event held on 14 November 2023**

The Treasury Committee met with 40 women from over 30 firms in the financial services sector, including banking, insurance, and asset management companies. These firms covered a range of sizes, from small/boutique businesses through to large, listed firms. The event included women of various levels of seniority and experience, ranging from recent graduate entrants to women with several decades of experience working in financial services. Most attendees were recruited via diversity-focused industry network groups and the event was also publicised via professional networking websites and 'X' (formerly known as Twitter).

Attendees were split into four groups and asked to discuss the following themes:

1. Sexism, misogyny and workplace culture

2. Pay and progression

Attendees were asked confidentially to share their experiences since 2018, when the Committee had last looked at the issue during its inquiry into *Women in finance*. In particular, they were asked to share their thoughts on how much positive change there had been since 2018, and what more they felt needed to be done. The key themes and potential solutions that came out of the discussions are outlined below.

**1. Sexism, misogyny and workplace culture**

There had been some pockets of improvement in the culture for women working in financial services since 2018, with a small number of attendees reporting that their workplaces had become more inclusive for women in recent years. But the majority of attendees felt that there had been little progress since 2018, with many describing the culture in financial services as still being an 'old boys' club' where no one wants to 'rock the boat'.

Attendees noted that there had been a reduction in levels of overt sexism and misogyny in the workplace, such as sexist 'office banter', but thought that misogynistic mindsets remained widespread, with behaviours having instead become more underhand and pernicious.

Several attendees highlighted a particular concern with the drinking culture that still prevailed in parts of the industry, noting that non-drinkers often felt pressured to attend drinking events to 'fit in'. These kinds of events were often where the worst behaviours towards women had taken place.

Most attendees thought that initiatives aimed at improving diversity and inclusion in financial services, while welcome, were often 'tokenistic' or 'box-ticking' in nature and lacked the 'teeth' needed to drive genuine change. Some thought this was because diversity and inclusion was not seen as a core business priority, noting that business priorities were typically accompanied by clear action plans and strategies. This was often not the case for diversity and inclusion.

Some attendees thought that conversations on diversity and inclusion were often 'in the right place' at senior board level, but the same was not true at the middle management level, where more needed to be done both to get people on board with the need for change and to increase accountability for delivering it.

Similarly, given that men held most of the power within firms, several attendees thought it was important for more men (especially white men) to appreciate the benefits of a diverse workforce and to help drive change, rather than it being seen as a problem for women themselves to fix. Some attendees noted that younger men were often more supportive, but quickly tried to emulate the behaviour of older generations who have achieved success in the industry.

*Sexual harassment*

The social changes that had resulted from the "Me Too" movement had not translated into financial services, where attendees thought sexual harassment remained commonplace. Most attendees had either directly experienced sexual harassment or knew of colleagues that had. Many incidents of sexual harassment were reported to have taken place outside the office, for example at conferences and drinks events, or while on work trips.

Male colleagues who witnessed inappropriate behaviour towards female colleagues were often said to be privately supportive of the victim but would rarely call out the bad behaviour or take steps to intervene at the time. The emphasis was on helping women to avoid the known 'bad actors', rather than tackling the inappropriate behaviour itself.

Most of the women that had reported cases of inappropriate behaviour or sexual harassment (or knew of someone who had) reported a very negative experience of the process. Human Resources (HR) departments were viewed by attendees as ineffective in how they deal with sexual harassment cases. Attendees thought that HR's role was clearly to protect the firm rather than support the victim.

Attendees reported that, for most allegations of sexual misconduct, little or no action had been taken against the perpetrator who was often able to continue progressing in their career, while the woman reporting the incident often faced negative consequences, including being made to move teams or being forced out of the company or the industry completely. One attendee contrasted the approach taken towards allegations of non-financial misconduct with that taken for allegations of financial misconduct, which typically resulted in immediate suspension.

Several attendees said that the bar for them to report sexual harassment was high. Many felt that a woman needed to be prepared to lose her career in order for her to report a case of sexual harassment. Some attendees thought it would be a significant step for someone to decide to use the FCA's whistleblowing hotline to report sexual harassment, for fear of the potential repercussions at work. Taking legal action against perpetrators was seen as very costly and time consuming, and was therefore not pursued by many

Attendees thought that non-disclosure agreements (NDAs) were widely used in sexual harassment cases to protect firms from reputational damage and make problems 'go away'. Attendees noted that NDAs had the damaging effect of silencing the victims of sexual harassment while protecting the perpetrators. This removed the ability of victims to share their experience and removed an incentive for firms to take action to prevent sexual harassment.

<u>Recommendations</u>

Attendees suggested various actions that could be taken to improve workplace cultures and outcomes in sexual harassment cases, including:

- Greater accountability for senior management and boards regarding progress on diversity and inclusion – for example, clearer links to pay and bonuses, and a requirement to produce clear action plans
- Increased use of unconscious bias training, including as part of professional qualifications
- Firms should be required to report on the number of NDAs used in sexual misconduct cases
- Firms should be required to establish independent processes and/or bodies to support women who make allegations of sexual misconduct
- The regulator's 'fit and proper' tests should cover sexual misconduct

- Greater protection in law for women who report sexual misconduct
- Credible threat of fines and penalties for those condoning or perpetuating sexual misconduct in the industry.

**2. Pay and progression**

To date, there had been a focus on female representation in senior and board-level roles, which attendees saw as important for providing role models and driving cultural change. Many attendees thought there needed to be a greater focus on nurturing female talent at the middle management level, however, noting that the higher proportion of women at junior/graduate levels was not permeating up through organisations.

Attendees thought there was still significant nepotism in recruitment and promotion decisions, with managers inclined to recruit and promote in their own image. This benefitted men who had more in common with older white men who dominate senior positions, such as an interest in golf. Some thought that these negative biases were even stronger for women from ethnic minorities, whose backgrounds were even harder for older white men to relate to.

Attendees noted the value of mentors (both male and female) and support networks, which could lead to better career outcomes for women. But the availability of mentoring or networking opportunities was patchy, and not yet sufficient to replicate the natural networks that many men had built up or were able to access.

Several attendees thought that greater use of targets/quotas for women would be helpful at driving change, with one pointing to the oil and gas industry as an example where the use of quotas at all levels had helped drive more significant change than had occurred in financial services. Others were more cautious about the use of quotas, noting that they had witnessed what they perceived to be ‘positive discrimination’ and ‘tokenistic’ appointments of women to certain positions just to meet targets.

Many attendees highlighted the increase in flexible and home working brought about by Covid-19 as a positive factor in removing some of the barriers faced by women. The fact it had become standard for both men and women to work at home had resulted in a more equal sharing of childcare responsibilities and a more equal workforce. Several respondents were worried that these benefits could be lost as firms push for greater office attendance.

Others noted that the increase in home working also had some negative effects, including a reduction in opportunities for junior staff to learn from more experienced colleagues. Some noted that office visibility was also an important driver of bonuses and promotion opportunities.

Some attendees thought that women were more likely than men to be made redundant in times of economic turbulence, which they attributed to a masculine group culture that made men more ‘visible’ within their firm and with clients.

*Impact of having children*

Attendees thought that having children (or being considered likely to have children) was still a significant barrier to a woman’s career in financial services. One attendee mused that taking maternity leave impacted a woman’s career more than an allegation of sexual misconduct was likely to impact a man’s.

Attendees thought that increased usage of shared parental leave could be helpful in balancing the impact of having children between men and women. They noted several obstacles to this, including that some men were reluctant to take (or faced peer pressure not to take) paternity leave, and that paternity pay policies in some firms made it financially unviable for men to take it.

Childcare costs were emphasised by several attendees as a significant issue that prevented some women from returning to work after having children, or incentivised them to return on a part-time basis, particularly given that their male partners would often be the higher earner.

In addition to women leaving the workforce as a result of having children, attendees noted that lots of women leave work at around the age of 45, with some pointing to perceived ageism as a factor. Some attendees also noted the debilitating impact that the menopause can have on women, though noted it was positive that discussions were now taking place about it.

*Pay*

Attendees thought that gender pay gap reporting was insufficiently granular to allow for the detailed analysis that needed to be done to identify where discrepancies lie within organisations, and hence drive improvements in equality.

Attendees noted that the gender pay gap was often said to be driven by the lack of women in senior positions, but there was widespread agreement that men and women were often not paid the same even for the same role. Some attendees had been informed by supportive male colleagues that they were being underpaid compared to others in similar roles.

Attendees also highlighted the significant degree of pay discretion, particularly for new hires where salary was a 'negotiation'. There was a view amongst attendees that women would often ask for a lower salary than a man would be confident pitching for. Attendees thought that there should be clearer pay bands for roles within organisations to help mitigate this and ensure more equal pay.

<u>Recommendations</u>

Attendees suggested various actions that could be taken to improve pay and progression outcomes for women in financial services, including:

- Greater focus on increasing female representation at all levels in financial services firms, particularly at the middle management level, to ensure there is a pipeline of female talent
- Improved granularity around gender pay and bonus gap reporting
- Mandatory inclusion of salary information on job adverts
- Parental leave policies should be publicly available so that people can make informed decisions when taking or moving roles
- Improved parental leave policies for both sexes, and greater encouragement for men to take parental leave
- Improved government support for childcare costs, for example through tax reliefs

November 2023