



REFLECTING CHICAGO'S **DIVERSITY**



Financial Services Pipeline Initiative

2014 Index



What is the Financial Services Pipeline Initiative?

The Financial Services Pipeline (FSP) Initiative is a collaboration of financial organizations and The Chicago Community Trust — the region's community foundation — whose goals include:

- Increasing the representation of Latinos and African-Americans, at all levels, in the Chicago area financial services industry, and
- Improving the overall cultural competency within the Chicago area financial services industry.

The FSP Initiative was founded in 2013 as a collaborative fund of The Chicago Community Trust by a group of financial institutions headquartered in Chicago – including Ariel Investments, BMO Harris Bank, the Federal Reserve Bank of Chicago, Holland Capital Management, Loop Capital, Northern Trust, and Urban Partnership Bank. A number of other financial institutions joined the group in 2014, including Bank of America, CME Group, Madison Dearborn Partners, Mesirov Financial, U.S. Bank, and Wintrust .

The FSP Initiative members today collectively represent close to 20,000 leaders and professionals in Chicagoland's financial services industry more than one third of the total.

The members of the FSP Initiative have committed to participate in joint research, pool and align their resources, and develop an action plan to address the Initiative's goals. Their approach to support the advancement of African-Americans and Latinos within the financial services industry talent pipeline includes supply-side and demand-side strategies.

Supply-side strategies focus on attracting people of color to the financial services industry, equipping them with the knowledge and skills needed to succeed in it, and, as a result, growing the talent pool of candidates ready to enter the sector and grow within it. These strategies should be multi-phased, with programming and support beginning as soon as early childhood and encompassing individuals' educational, professional and leadership-development experiences. Support should be available during elementary and high school, as well as through college. Paths from college to entry-level positions in the finance sector, and development opportunities for African-American and Latino staff and leaders, should also be included as part of the supply-side strategies. Partners to be involved in planning and implementing these strategies include public, private, educational and non-profit institutions able to support the Initiative's goals.

On the demand side, actions should be directed toward increasing cultural competence within financial services firms, with special emphasis on executive leaders, people managers and staff engaged in recruiting, developing and retaining of employees. The main goal is to build inclusive organizations by making leaders and staff aware of conscious and unconscious biases, promoting constructive leverage of cultural differences, and removing obstacles that prevent African-Americans and Latinos from entering and progressing within the financial services industry.



Pictured in green, the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area. The Area includes the following counties: Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry and Will (Illinois); Jasper, Lake, Newton and Porter (Indiana); and Kenosha (Wisconsin).

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Introduction

An analysis of data from the Equal Employment Opportunity Commission (EEOC) published by the Government Accountability Office (GAO) in 2010¹ showed that the number and percentage of people of color in the U.S. financial industry — especially African-Americans and Latinos — was very limited at all organizational levels, with the most significant deficits of diversity in top positions (C-suite officers and those who report to them). Overall, the report showed that only 10% of males and 19% of females working in the financial sector were people of color. According to the study, in 2008 non-Latino Whites held 90% of senior positions, African-Americans held 2.8%, Latinos 3%, and Asians 3.5%. These numbers were consistent with a national study commissioned the same year by U.S. Senator Robert Menendez, which found that only 8% of executive team members in financial services corporations were people of color. Both African-Americans and Latinos represented less than 3% of such teams.²

A more recent GAO report³ found that management-level representation of people of color in the financial services industry and among federal financial agencies and Federal Reserve Banks had not changed substantially from 2007 through 2011. Representation of minorities in 2011 was higher in lower-level management positions — about 20% — compared with about 11% of senior-level manager positions, but in both management categories African-Americans and Latinos experienced a virtual stagnation in representation between 2007 and 2011. A growing body of research⁴ shows that this lack of diversity and inclusion is likely to have a negative impact on the competitiveness of the U.S. financial services industry, as well as

on the organizational cultures and “bottom lines” of financial services organizations.

The FSP Initiative Index is a tool to track the representation of African-Americans and Latinos over time in the Chicago metropolitan area's financial services industry,⁵ examine trends, both at the local and national level, and establish comparisons with other major financial hubs in the United States. The Index is designed to be updated annually.

The FSP Initiative 2014 Index looks at the financial services industry from a local and a national perspective and offers:

- Snapshots of racial and ethnic representation levels in 2013,
- Five-year trends in racial and ethnic representation, with a focus on African-Americans and Latinos, and
- Representation gaps for African-Americans and Latinos.

In addition to Chicago area- and United States-based data, the FSP Initiative 2014 Index explores racial and ethnic representation levels, and gaps in African-American and Latino representation in two major financial services hubs comparable to the Chicago area: the New York and the San Francisco metropolitan areas.

The Chicago Metropolitan Area Financial Services Industry: African-American and Latino Representation

Low representation of African-Americans and Latinos in the financial industry is evident in the Chicago metropolitan area. U.S. Census estimates for 2013 show a diverse population in the metropolitan area: 54% of residents were White, 17% African-American, 21% Latino, and 6% Asian. Other groups represented 2% of the population.⁶ In contrast, data released

by the EEOC shows that the financial services workforce in the region was 67% White, 12% African-American, 10% Latino, 10% Asian and 1% other groups. Chart 1⁷ offers a comparison of racial and ethnic representation for the Chicago metro area, its financial services sector, and three key job categories within it: (1) Executive/Senior Level Officials and Managers, (2) First/Mid Level Officials and Managers, and (3) Professionals, Technicians and Sales Workers combined.⁸ The differences in representation of African-Americans and Latinos were evident at the top of financial organizations (Executives/Senior Level Officials and Managers), with African-Americans represented at 3% and Latinos at 2%. The representation of African-Americans and Latinos at the First/Mid Level Officials and Managers level was 8% and 10%, respectively, and 9% for each group in the combined Professionals, Technicians and Sales Workers category.

The most recent five-year series for which data is available shows that the number of employees in the Chicago area in job categories analyzed in this Index grew progressively

between 2009 and 2013, from 53,091 jobs in 2009 to 64,358 in 2013 (a 21% increase) See Chart 2. At the same time, the total number of African-Americans and Latinos in leadership and professional positions in Chicago's financial services sector also grew. The total number of African-Americans in the top job category experienced a 27% gain, from 77 in 2009 to 98 in 2013, while Latino presence in that same category grew 10%, from 60 to 66. In First/Mid Level management, the number of African-American employees grew 24%, from 1,067 to 1,318, and Latinos experienced a 40% gain from 1,149 to 1,600. Finally, the number of people working in the combined Professional, Technician and Sales Worker category grew 13% for African-Americans (from 3,531 to 4,007) and 21% for Latinos (from 3,155 to 3,817). See Table 1.

In spite of these gains in absolute terms, the overall percentage of African-Americans and Latinos in the financial industry between 2009 and 2013 remained virtually the same during this period for Executives and Senior Level Officials and Managers, at 3% and 2% respectively.⁹ First/Mid Level Officials and

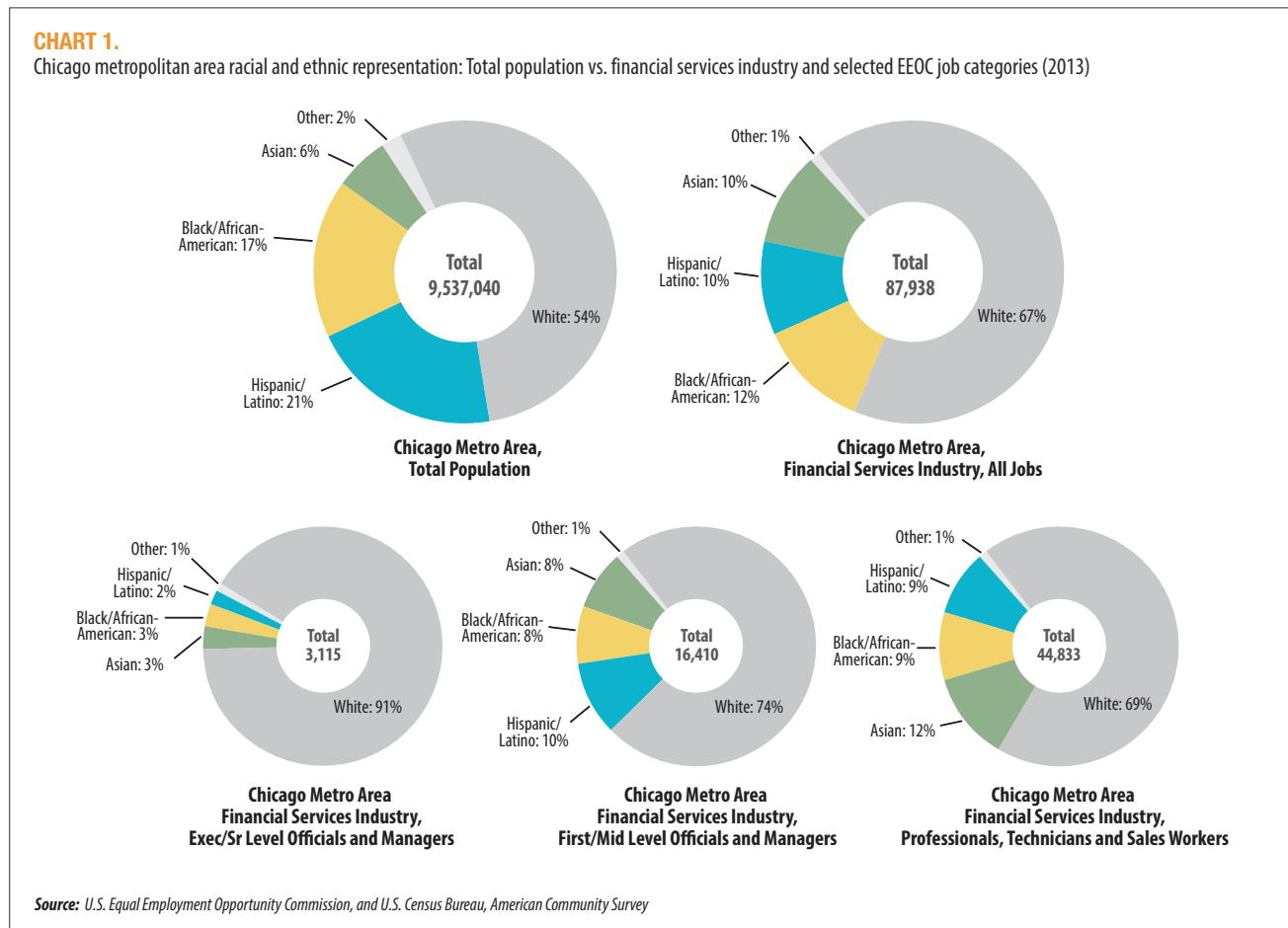
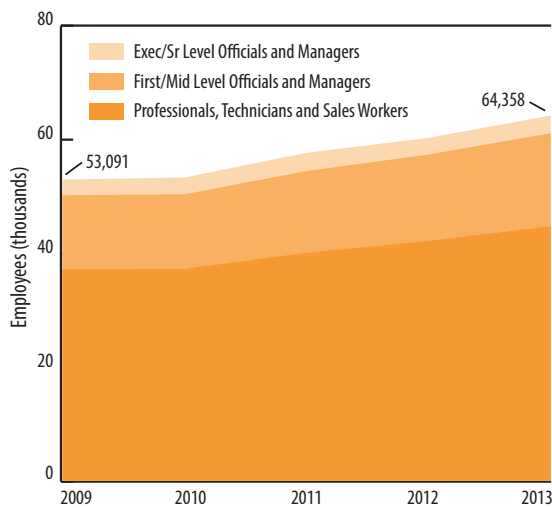


CHART 2.
Chicago metropolitan area financial services industry:
Growth in selected EEOC job categories (2009-2013)



Source: U.S. Equal Employment Opportunity Commission

Managers showed a modest gradual increase in Latino representation (from 9% in 2009 to 10% in 2013), while African-American representation started and ended the period at the same rate (8%), showing a spike to 9% in 2011. Finally, Professionals, Technicians and Sales Workers showed a similar trend: a slight increase in representation for Latinos (from 8% to 9%) and virtually no movement for African-American representation (represented at 9% for most of the period). Chart 3 summarizes these trends.

A National Perspective

Representation of African-Americans and Latinos in finance at the national level also shows significant gaps. While the U.S. population in 2013 was 62% White, 17% Latino, 12% African-American, 5% Asian and 3% other groups, the country's financial sector was 69% White, 12% African-American, 9% Latino, 9% Asian and 2% other groups. Once again these gaps are more pronounced when looking at specific job categories: For example, at the Executive/Senior Officials and Managers level African-Americans were represented at 2% and Latinos at 3%. First and Mid/Level Officials and Managers also showed the same representation levels for both groups (6%). Finally, Professionals, Technicians and Sales Workers were 7% African-American and 6% Latino in 2013. See Chart 4.

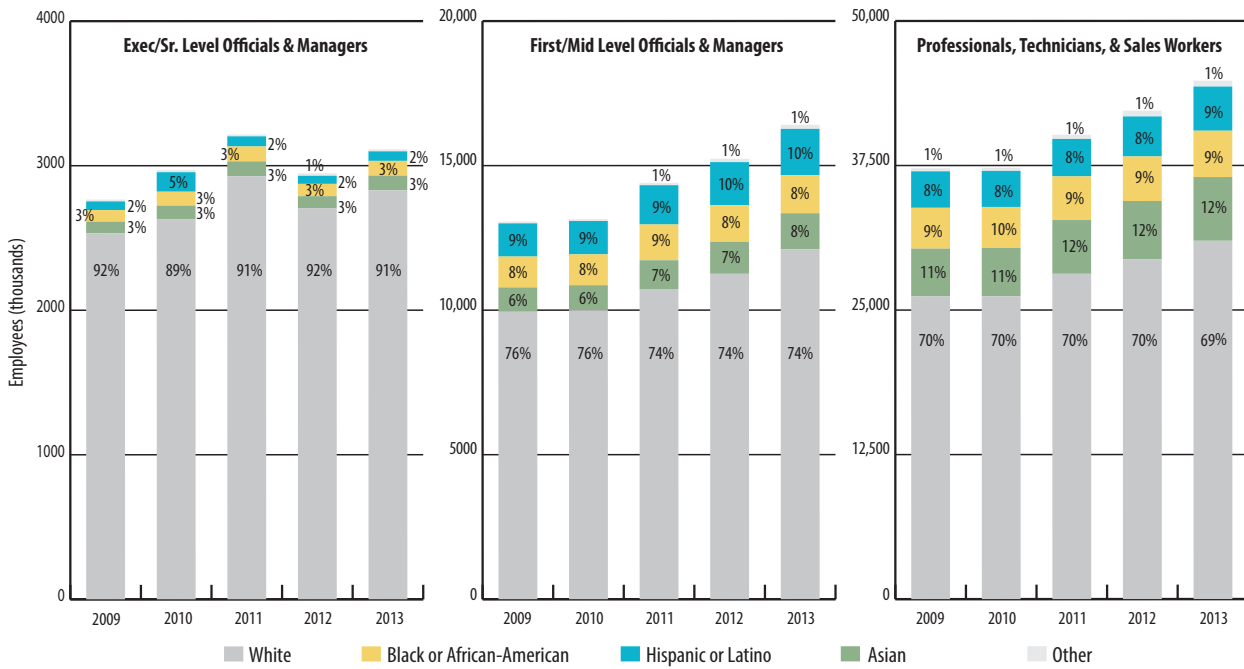
TABLE 1.
Chicago metropolitan area racial and ethnic representation: Financial services industry, selected EEOC job categories (2009-2013)

Job Category	Year	White	Black or African-American	Hispanic or Latino	Asian	Other	Total
Exec/Sr Level Officials and Managers	2009	2,533	77	60	80	13	2,763
	2010	2,628	96	135	93	14	2,966
	2011	2,927	92	70	107	13	3,209
	2012	2,704	78	56	99	17	2,954
	2013	2,829	98	66	108	14	3,115
First/Mid Level Officials and Managers	2009	9,944	1,067	1,149	843	61	13,064
	2010	9,998	1,068	1,153	864	64	13,147
	2011	10,710	1,237	1,359	1,015	81	14,402
	2012	11,255	1,264	1,490	1,110	115	15,234
	2013	12,101	1,318	1,600	1,249	142	16,410
Professional, Technicians and Sales Workers	2009	26,178	3,531	3,155	4,134	266	37,264
	2010	26,190	3,550	3,119	4,175	273	37,307
	2011	28,133	3,774	3,239	4,649	361	40,156
	2012	29,378	3,853	3,460	5,049	502	42,242
	2013	30,986	4,007	3,817	5,511	512	44,833

Source: U.S. Equal Employment Opportunity Commission

CHART 3.

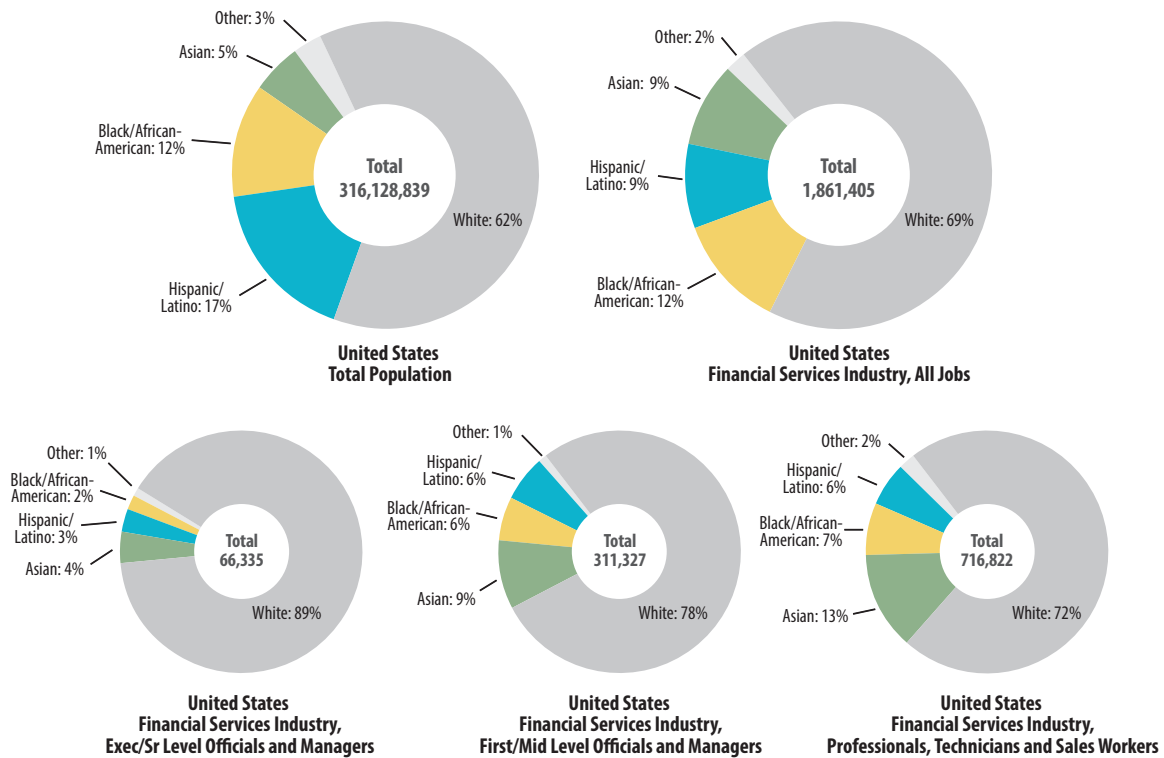
Chicago metropolitan area racial and ethnic representation: Financial services industry, selected EEOC job categories (2009-2013)



Source: U.S. Equal Employment Opportunity Commission

CHART 4.

United States racial and ethnic representation: Total population vs. financial services industry and selected EEOC job categories (2013)



Source: U.S. Equal Employment Opportunity Commission, and U.S. Census Bureau, American Community Survey

TABLE 2.

Representation gaps for African-Americans: Financial services industry and selected EEOC job categories (2013)

	African-Americans as Percentage of Total Population	Financial Industry (All job categories)	Exec/Sr Level Officials and Managers	First/Mid Level Officials and Managers	Prof., Techs., and Sales Workers
Chicago Metro Area	17%	12% 5	2% 15	8% 9	9% 8
United States	12%	12% 0	2% 10	6% 6	7% 5
New York Metro Area	16%	8% 8	2% 14	5% 11	6% 10
San Francisco Metro Area	8%	6% 2	2% 6	4% 4	4% 4

■ = % of African-Americans ■ = Representation Gap (in percentage points)

Source: U.S. Equal Employment Opportunity Commission, and U.S. Census Bureau, American Community Survey

TABLE 3.

Representation gaps for Latinos: Financial services industry and selected EEOC job categories (2013)

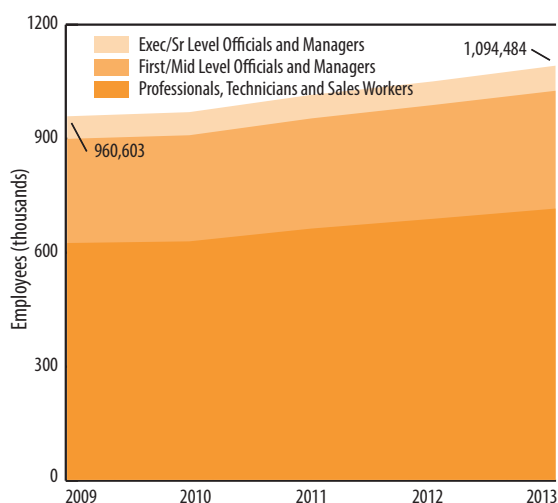
	Latinos as Percentage of Total Population	Financial Industry (All job categories)	Exec/Sr Level Officials and Managers	First/Mid Level Officials and Managers	Prof., Techs., and Sales Workers
Chicago Metro Area	21%	10% 11	2% 19	10% 11	9% 12
United States	17%	9% 8	3% 14	6% 11	6% 11
New York Metro Area	24%	8% 16	3% 21	6% 18	7% 17
San Francisco Metro Area	22%	8% 14	3% 19	7% 15	6% 16

■ = % of Latinos ■ = Representation Gap (in percentage points)

Source: U.S. Equal Employment Opportunity Commission, and U.S. Census Bureau, American Community Survey

CHART 5.

United States financial services industry: Growth in selected EEOC job categories (2009-2013)



Source: U.S. Equal Employment Opportunity Commission

For the purposes of the FSP Initiative 2014 Index, “representation gap” is the difference, expressed in percentage points, between the representation of an ethnic/racial group within a certain geographic area (e.g., a Metropolitan Statistical Area), and the representation of that same group in the financial services industry (as a whole, and in selected job categories) in that same geographic area.¹⁰ In general, while the Chicago metropolitan area is more ethnically and racially diverse than the United States as a whole, the African-American and Latino representation gaps in the financial sector are more pronounced in the Chicago area than at the national level. See Tables 2 and 3.

As it relates to the five-year national trend, the combined number of employees in the EEOC categories analyzed in this Index grew steadily between 2009 and 2013, from 960,603 to 1,094,484, or 14% (vs. 21% in the Chicago metro for the same period, as seen above). See Chart 5. The total numbers of African-Americans and Latinos in the job categories examined also grew in those five years, with the largest gains observed among Latinos: 22% growth in Executive/Senior Level positions

TABLE 4.

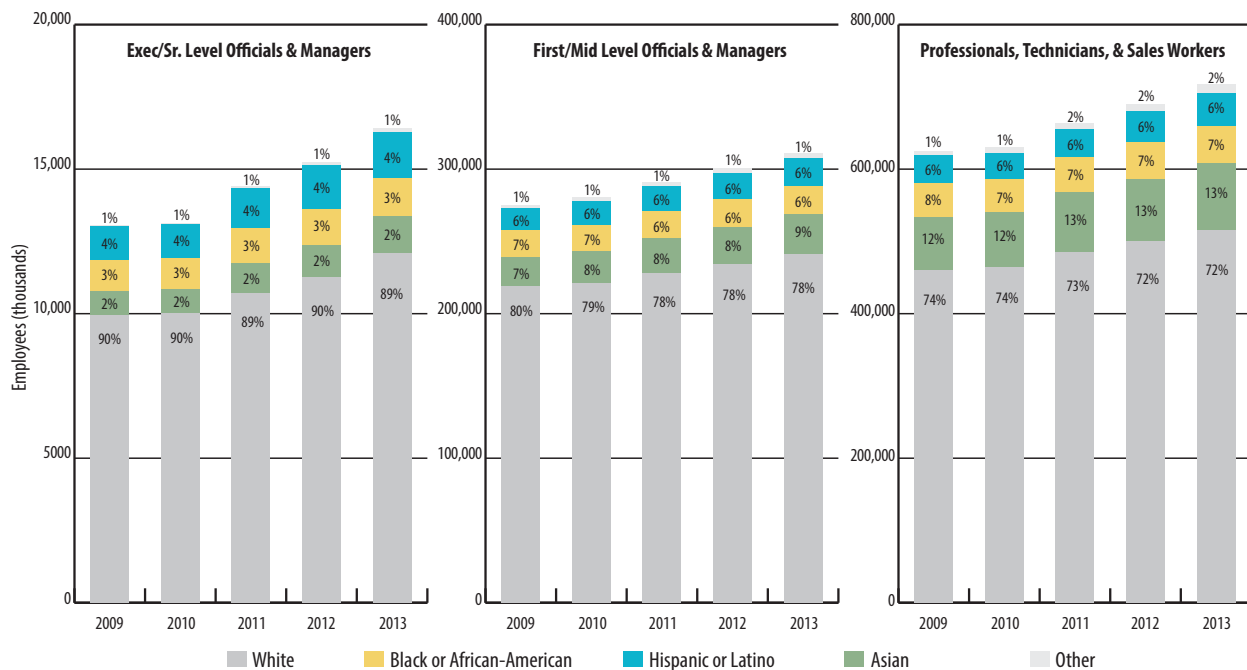
United States racial and ethnic representation: Financial services industry, selected EEOC job categories (2009-2013)

Job Category	Year	White	Black or African-American	Hispanic or Latino	Asian	Other	Total
Exec/Sr Level Officials and Managers	2009	53,868	1,440	1,760	2,140	418	59,626
	2010	55,037	1,466	1,897	2,282	444	61,126
	2011	55,643	1,479	2,160	2,548	471	62,301
	2012	56,144	1,400	1,938	2,538	485	62,505
	2013	59,261	1,577	2,140	2,783	574	66,335
First/Mid Level Officials and Managers	2009	218,942	18,398	15,393	20,166	2,407	275,306
	2010	221,250	18,423	16,305	21,841	2,614	280,433
	2011	228,164	18,907	17,367	23,653	3,005	291,096
	2012	234,245	19,534	18,380	25,158	3,347	300,664
	2013	241,372	19,683	19,146	27,265	3,861	311,327
Professional, Technicians and Sales Workers	2009	460,392	47,951	38,347	72,258	6,723	625,671
	2010	464,731	45,201	36,998	75,577	7,584	630,091
	2011	485,534	47,424	39,451	82,654	8,832	663,895
	2012	499,933	50,771	42,292	86,731	10,073	689,800
	2013	515,882	52,467	45,512	91,442	11,519	716,822

Source: U.S. Equal Employment Opportunity Commission

CHART 6.

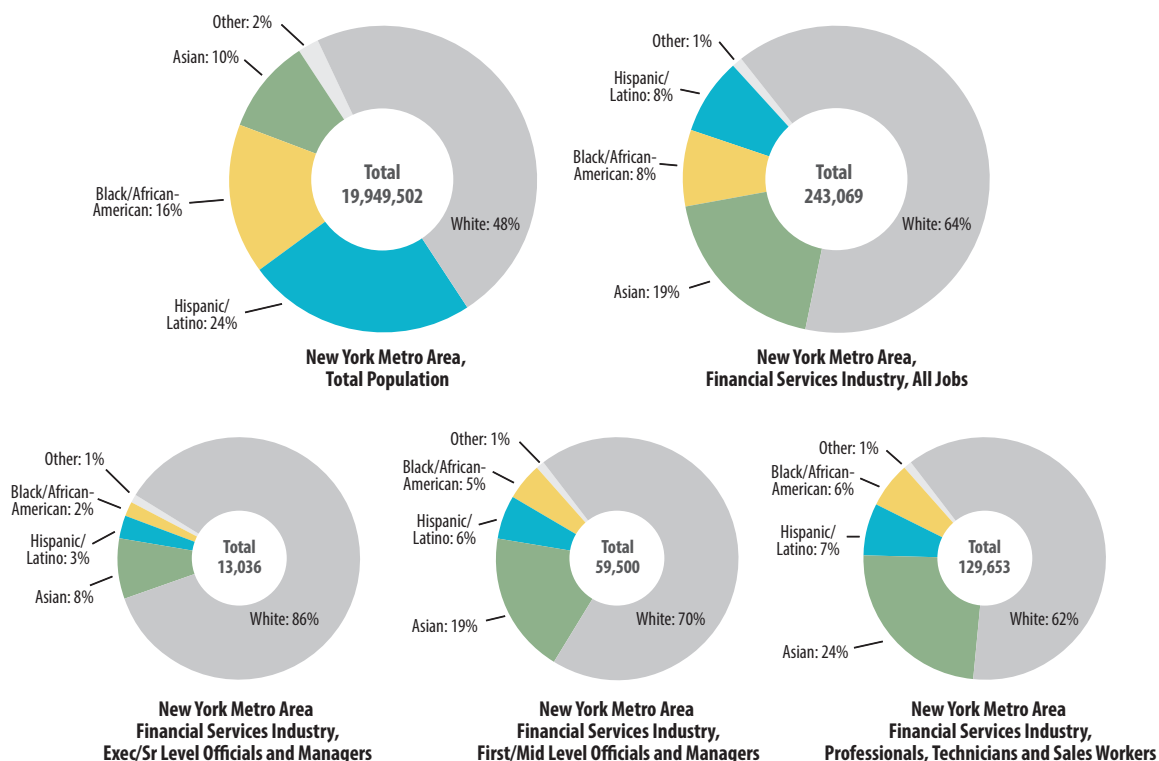
United States racial and ethnic representation: Financial services industry, selected EEOC job categories (2009-2013)



Source: U.S. Equal Employment Opportunity Commission

CHART 7.

New York metropolitan area racial and ethnic representation: Total population vs. financial services industry and selected EEOC job categories (2013)



Source: U.S. Equal Employment Opportunity Commission, and U.S. Census Bureau, American Community Survey

(from 1,760 to 2,140); 24% in First/Mid Level management (from 15,393 to 19,146); and 19% in Professional, Technician and Sales Worker positions (from 38,347 to 45,512). In contrast, the total number of African-Americans grew 10% in each of the three categories: from 1,440 to 1,577 in Executive/Sr. Level Officials and Managers, from 18,398 to 19,683 in First/Mid Level Officials and Managers, and from 47,951 to 52,467 in the combined Professionals, Technicians and Sales Workers category. See Table 4.

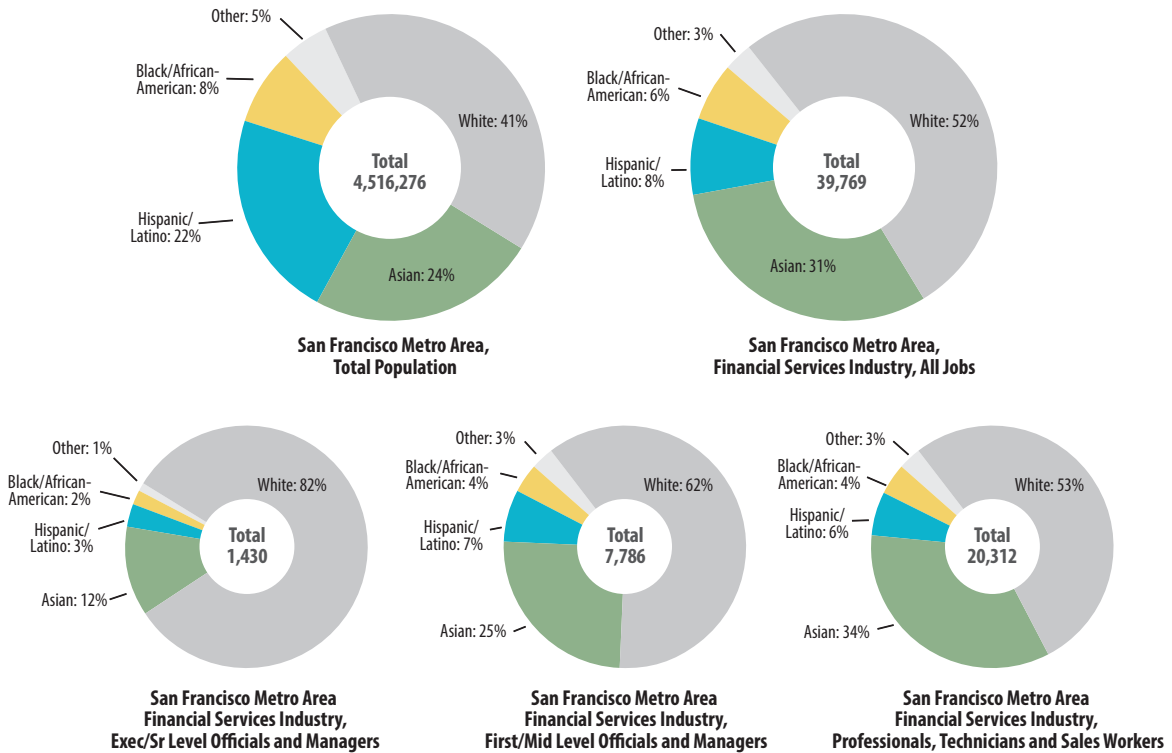
Once again, while the gains in absolute terms at the national level were noticeable for both African-Americans and Latinos in the three financial services job categories studied, overall representation remained virtually stagnant from 2009 to 2013 for Latinos, and declined in certain categories for African-Americans. Representation of African-Americans in the Executives/Sr. Level management category remained static at 2% and so did the Latino representation at 3%. In the First/Mid Level management category, the representation of African-Americans

started the series at 7% in 2009-2010 and declined to 6% during the 2011-2013 period. Latino representation in this category remained unchanged at 6%. Finally, African-Americans in the Professionals, Technicians and Sales Workers category dropped from being 8% in 2009 to 7% in 2010 and stayed at that level through 2013. Representation of Latinos in that combined category remained unchanged at 6% during the five years analyzed. See Chart 6.

Finally, as part of this FSP Initiative 2014 Index, the Chicago metro area is compared with two other major financial hubs in the United States: the New York and the San Francisco metropolitan areas. The New York metropolitan area is a majority-minority region, with Whites represented at 48%, Latinos at 24%, African-Americans at 16%, Asians at 10%, and other groups at 2%. Its financial services industry, nevertheless, shows representations of 64% for Whites, 19% for Asians, 8% for both African-Americans and Latinos, and 1% for other groups. When specific job categories are examined,

CHART 8.

San Francisco metropolitan area racial and ethnic representation: Total population vs. financial services industry and selected EEOC job categories (2013)



Source: U.S. Equal Employment Opportunity Commission, and U.S. Census Bureau, American Community Survey

the representation of African-Americans and Latinos is either similar or less than Chicago's. African-Americans are 2% and Latinos 3% of all Executive/Senior Level Officials and Managers. They are 5% and 6% respectively of all First/Mid Level managerial positions, and 6% and 7% respectively of all Professionals, Technicians and Sales Workers. See Chart 7.

The San Francisco metropolitan area is also a majority-minority region, with Whites representing 41% of the total population, Asians 24%, Latinos 22%, African-Americans 8%, and the remaining groups 5%. Whites hold 52% of all financial services jobs, Asians 31%, Latinos 8%, African-Americans 6%,

and other groups, combined, 3%. An examination of specific job categories reveals that the proportion of African-Americans and Latinos in Executive/Senior Level positions is 2% and 3% respectively. The First/Mid Level managers category shows representation levels at 4% and 7% respectively for the two groups. Professionals, Technicians and Sales Workers combined show representation levels at 4% for African-Americans and 6% for Latinos. See Chart 8. The representation gap analysis shows significant differences between Chicago and these two financial hubs, as shown in Tables 2 and 3.

Endnotes

¹ Government Accountability Office, “Financial Services Industry: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993-2008” (2010), available at <http://www.gao.gov/assets/130/124630.pdf>, retrieved on Oct. 9, 2014.

² U.S. Senator Robert Menendez, “Corporate Diversity Report,” (2010) available at <http://www.memendez.senate.gov/imo/media/doc/Corporate-DiversityReport2.pdf>, retrieved on Oct. 9, 2014.

³ Government Accountability Office, “Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis” (2013), available at <http://www.gao.gov/products/GAO-13-238>, retrieved on Oct. 9, 2014.

⁴ See, for instance, Scott E. Page, *The Difference* (Princeton: Princeton University Press, 2007), Katherine Phillips, *Diversity and Groups*. (Greenwich: JAI Press, 2008), or Andrés T. Tapia, *The Inclusion Paradox* (Lexington: Hewitt Associates, 2009).

⁵ The term “Chicago metropolitan area” refers to the Chicago-Naperville-Joliet Metropolitan Statistical Area (MSA) as defined by the U.S. Office of Management and Budget (OMB). MSAs are based on Core Based Statistical Areas as defined by the OMB for collecting, tabulating, and publishing Federal statistics by agencies such as the Equal Employment Opportunity Commission (EEOC). In 2013, the Chicago-Naperville-Joliet MSA changed in name to the Chicago-Naperville-Elgin MSA. The term “New York metropolitan area” refers to the New York-Newark-Jersey City MSA. The term “San Francisco metropolitan area” refers to the San Francisco-Oakland-Hayward MSA. The definition of “financial services sector” includes all subsectors within the North American Industry Classification System (NAICS) code 52 “Finance and Insurance” with the exception of sub-industry code 524 “Insurance.” The sub-industry codes included in this definition are: 521 “Monetary Authorities – Central Bank,” 522 “Credit Intermediation and Related Activities,” 523 “Securities, Commodity Contracts, and Other Financial Investments and Related Activities,” and 525 “Funds, Trusts, and Other Financial Vehicles.”

⁶ The racial and ethnic categories in the FSP Initiative 2014 Index are based on U.S. Census and EEOC definitions, as appropriate, and are exclusive of each other. The terms “African-American” and “Black” are used interchangeably, as well as “Latino” and “Hispanic.”

⁷ In all Charts showing percentages, these have been rounded up: as a result, in some cases they do not add up to 100%. Percentages under 1% are not shown in charts.

⁸ The FSP Initiative 2014 Index focuses on the following EEOC categories: (1) “Executive/Senior Level Officials and Managers:” these individuals reside in the highest levels of organizations and direct or coordinate activities with the support of subordinate executive and staff managers, e.g. chief executive officers, chief operating officers, managing partners, etc.; (2) “First/Mid Level Officials and Managers:” these individuals serve as managers and receive directions from the Executive/Senior Level Officials and Managers, including those who report to middle managers, e.g. regional vice presidents, information system managers, branch managers, etc.; (3) “Professionals:” Most jobs in this category require bachelor or graduate degrees, and/or professional certification, such as accountant, economist, auditor, etc; (4) “Technicians:” these jobs include activities that require applied scientific skills, usually obtained by post-secondary education; and (5) “Sales Workers:” these jobs include non-managerial activities that wholly and primarily involve direct sales; e.g. brokers, sales agents, etc. For the purposes of this Index, “Professionals,” “Technicians” and “Sales Workers” have been aggregated under one category that combines the three of them. When considered as a whole, the financial services industry includes all EEOC job categories within it, i.e., the five mentioned above plus the following: “Administrative Support,” “Craft Workers,” “Operatives,” “Laborers and Helpers,” and “Service Workers.” Detailed classification of EEOC job categories can be found at <http://www.eeoc.gov/employers/eo1survey/jobclassguide.cfm>.

⁹ In 2010 there was a spike in Hispanic or Latino Executive/Senior Level Officials & Managers. This spike occurred in NAICS code 522, “Credit Intermediation and Related Activities.” The amount of reported Hispanic or Latino Executive/Senior Level Officials & Managers increased to 121 in 2010, more than doubling the number for the previous and following years.

¹⁰ This calculation of representation gaps is not based on job group availability analyses, which would require determining the number and percentages of minorities “available” to work in specific jobs (i.e., minorities who possess or have the ability to acquire the required skills or qualifications for specific job groups), in order to make comparisons.

Financial Services Pipeline Initiative

Members



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