

HEALTH WEALTH CAREER

BRIDGING THE DIVERSITY GAP

BUILDING AFRICAN-AMERICAN
AND LATINO TALENT PIPELINES
FOR THE FINANCIAL SERVICES
INDUSTRY IN CHICAGO

EXECUTIVE SUMMARY

MAKE TOMORROW, TODAY







REFLECTING CHICAGO'S **DIVERSITY**

ABOUT THE FSP INITIATIVE

The Financial Services Pipeline (FSP) Initiative was founded in 2013 by a group of Chicago-based financial institutions that joined forces to address the lack of diversity in the financial services (FS) industry within Chicago.

The FSP members were concerned that, despite significant diversity and inclusion (D&I) efforts on the part of their individual firms, the representation of African-Americans and Latinos within the industry had not improved over the past five years. Understanding that the lack of diversity could have a negative impact on the competitiveness (and equity) of the Chicago region, they were convinced that an alternative course of collective action was needed.

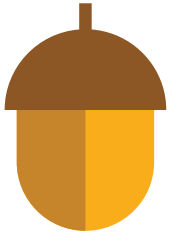
The founding members of the FSP, including Ariel Investments, BMO Harris Bank, the Federal Reserve Bank of Chicago, Holland Capital Management, Loop Capital, Northern Trust, The Chicago Community Trust, and Urban Partnership Bank, formed the nucleus. In addition, the dean of the University of Michigan's Gerald R. Ford School of Public Policy served as a consulting member.

A number of other players joined the group in 2014 and 2015, including Bank of America, CME Group, Madison Dearborn Partners, Mesirow Financial, US Bank, Wintrust, and the Federal Home Loan Bank. Today, the FSP Initiative's 16 members represent collectively more than 30,000 professionals in Chicago's FS industry – nearly 50% of all FS professionals in the region.

Two key goals of the FSP Initiative are to:

- Increase the representation of Latinos and African-Americans, at all levels, within the FS industry within Chicago.
- Improve overall cultural competency within the sector.

The group plans to achieve these goals in three phases, already underway.



PHASE 1 FORMATION (2013-2014)

This phase involved establishing the groundwork for the FSP Initiative, obtaining participation from a number of financial firms, and issuing a Request for Proposals for consulting services to support the FSP's research agenda. FSP Initiative Steering Committee members selected Mercer, a global human resource consulting firm, to begin the project.



PHASE 2 RESEARCH AND ACTION PLANNING (2013-2015)

In this phase, Mercer conducted research to inform a viable and effective action plan that addresses the FSP Initiative's goals. The research comprised 1) interviews with experts and leaders in Human Resources and D&I teams from FSP member organizations; 2) Internal Labor Market (ILM) maps (including data on hires, promotions, and exits) aggregated and developed, as well as projections for expected representation of African-Americans and Latinos in the local financial industry within the next five years; and 3) a survey of 10,000 leaders and professionals working at FSP member organizations to learn about the construction of their professional identities, their experiences in the industry, and their ideas on how to enhance D&I in the sector.

Three working groups, including representatives from the FSP member organizations, were also formed – Recruitment, Retention, and Cultural Competency – to begin developing ideas and action plans that were aligned with the findings of the research. During this phase the FSP Initiative also hosted two full-day career conferences, which introduced 225 college students to various career paths within the industry and taught them important skills, such as networking and personal branding.



PHASE 3

IMPLEMENTATION

(LATE 2015-2016)

The third phase of work will consist of initiating actions designed to respond to the findings of the research. Members will pool resources and partner with various organizations both within and outside the FS industry to construct a thought-provoking, actionable strategy to increase diversity within financial institutions in Chicago. FSP members understand that this will require a long-term commitment to human capital planning within the industry.

CHICAGO METROPOLITAN AREA AND CHICAGO FS INDUSTRY FAST FACTS

- 9,544,796 Chicago CBSA residents.¹
- Annual population growth: -0.3%, driven by births and international migration to the area as well as offsetting net negative domestic migration (that is, domestic out-migration has typically exceeded in-migration in recent years).²
- Chicago demographics: 54% white, 17% African-American, 21% Latino, 6% Asian, 2% other.³
- African-American/Latino populations have grown at rates higher than that of white populations in the metropolitan area, but the African-American population in Chicago city proper has substantially decreased since 2000.⁴
- African-Americans and Latinos are under-represented in the FS industry: 67% white, 12% African-American, 10% Latino, and 10% Asian; differences are even more acute at the highest levels (C-suites): 92% white, 3% African-American, 2% Latino, and 4% Asian.⁵
- After a steep decline in employment in the FS sector following the economic crisis of 2008, employment in the Chicago area has held steady.⁶

¹U.S. Census, 2013

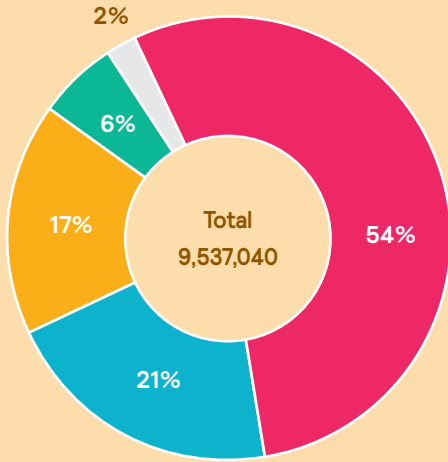
²US Census and Real Estate Center at Texas A&M University

³Chicago Financial Services Pipeline Initiative 2014 Index

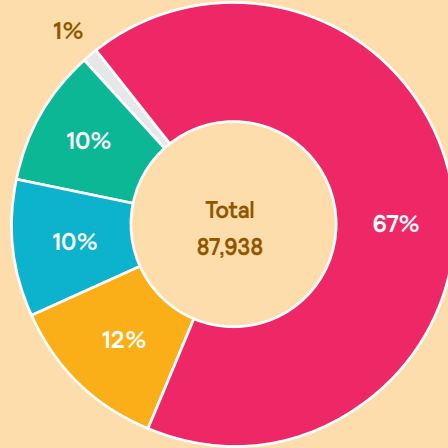
⁴US Bureau of Labor Statistics

⁵Federal Reserve Bank of Chicago Office of Minority and Women Inclusion 2014 Annual Report to Congress; EEOC data

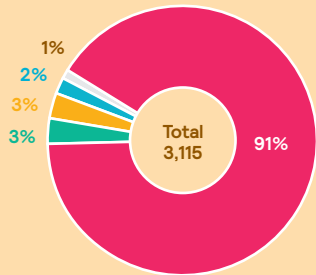
⁶US Bureau of Labor Statistics



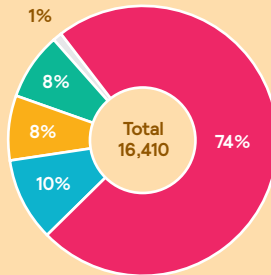
CHICAGO METRO AREA,
TOTAL POPULATION



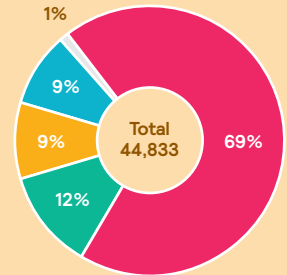
CHICAGO METRO AREA,
FS INDUSTRY, ALL JOBS



CHICAGO METRO
AREA FS INDUSTRY,
EXECUTIVE/SENIOR-LEVEL
OFFICIALS AND MANAGERS



CHICAGO METRO AREA
FS INDUSTRY, FIRST-/MID-LEVEL
OFFICIALS AND MANAGERS



CHICAGO METRO AREA
FS INDUSTRY,
PROFESSIONALS, TECHNICIANS,
AND SALES WORKERS

EXECUTIVE SUMMARY

BACKGROUND

In 2013 a coalition of employers created the Financial Services Pipeline (FSP) Initiative to address the lack of diversity in the industry in the Chicago region. A particularly strong concern for financial services (FS) employers was the relatively low representation of African-Americans and Latinos that had been apparent for decades prior – and remains today. Consequently, research was commissioned with the objective of providing new insights and evidence to guide actions that can be taken to more effectively achieve diversity within the industry.

The research was focused on the experiences and talent flows of African-American and Latino talent in the Chicago FS industry:

- The distinctive personal experiences of African-Americans and Latinos were captured through a survey of nearly 10,000 individuals employed in the industry in the Chicago area.
- Talent flows in the industry were captured by combining publicly available data about representation in the industry across race/ethnicity and career level, along with data provided by industry employers regarding the rates of hiring, promotion, and attrition across race/ethnicity and career level for approximately 33% of the Chicago FS workforce.

The extensive cooperation of Chicago-area FS employers resulted in a wealth of research findings about industry dynamics and the experiences of African-Americans and Latinos working in it, details of which are in the full report. Selected findings and implications for action are outlined in this Executive Summary.

KEY FINDINGS

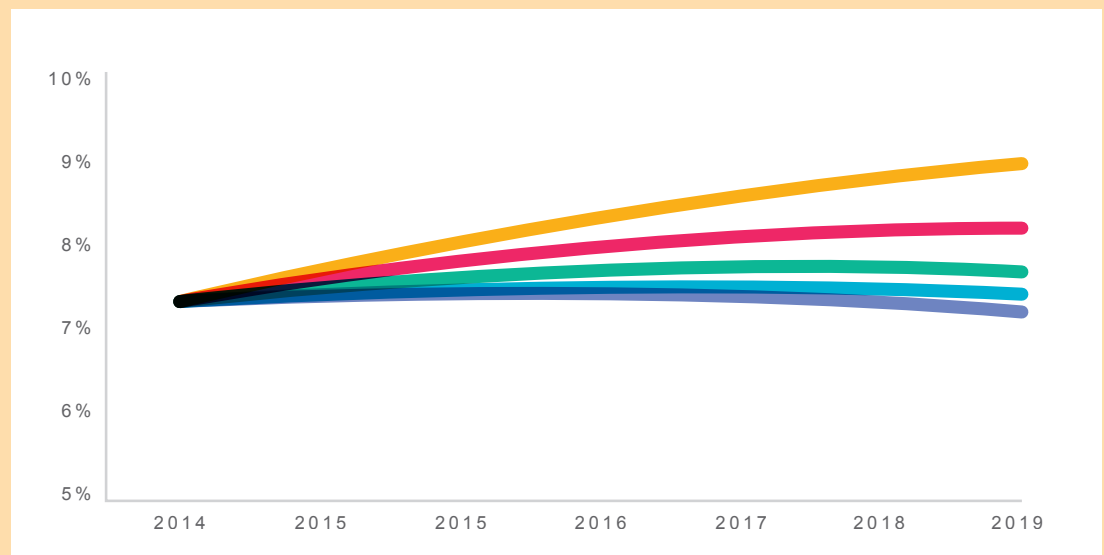
- Based on data provided by participating organizations, the representation of African-Americans and Latinos in positions of leadership in the industry is on course to decline.

PROJECTED REPRESENTATION AT LEADERSHIP LEVELS IN THE CHICAGO FS INDUSTRY FOR AFRICAN-AMERICAN AND LATINO TALENT

Exhibit 1 shows projected representation at leadership levels in the Chicago FS industry for African-American talent, and Exhibit 2 shows the same for Latino talent at leadership levels.

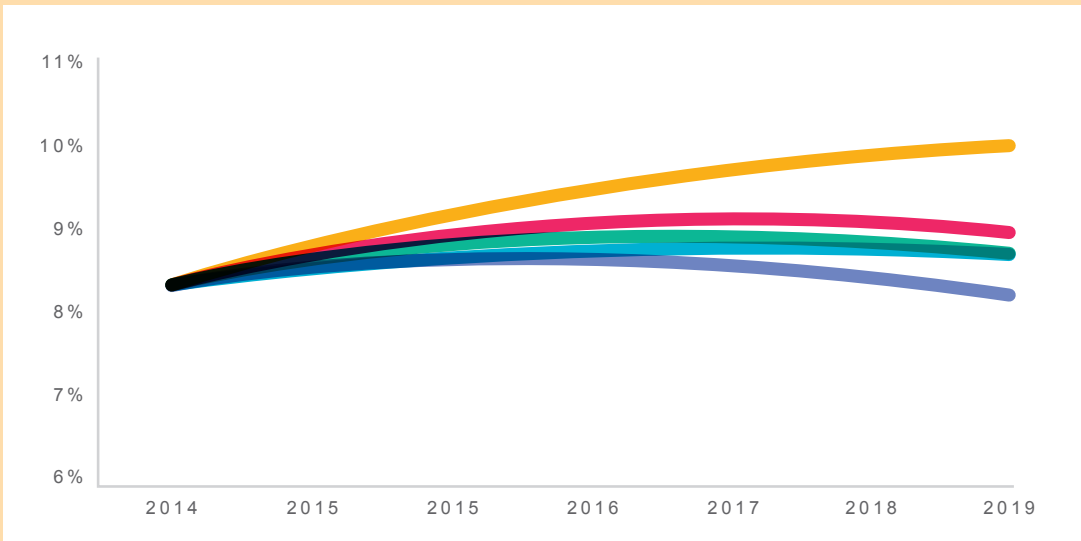
In both cases, the baseline projection is that the representation of African-American and Latino talent at leadership levels will change little over the five-year period if no changes occur in rates of hire, promotion, or exit. Indeed, the trajectory in the fourth and fifth years is one of declining representation.

EXHIBIT 1: PROJECTED AFRICAN-AMERICAN REPRESENTATION AT THE LEADERSHIP LEVEL IN THE CHICAGO FS INDUSTRY



- Rate of hiring, promotions, and turnover brought to parity with all other ethnic groups
- Promotion rate brought to parity with all other ethnic groups
- Hiring rate brought to parity with all other ethnic groups
- Turnover rate brought to parity with all other ethnic groups
- Representation projections for African-American employees with no changes to hiring, promotion, and turnover rates

EXHIBIT 2: PROJECTED LATINO REPRESENTATION AT THE LEADERSHIP LEVEL IN THE CHICAGO FS INDUSTRY



The top (yellow) line in Exhibits 1 and 2 shows projected representation under the scenario in which all unfavorable rates of hire, promotion, and exit for African-Americans and Latinos are set equal to the rates of others. Within this hypothetical scenario, representation at leadership levels is forecast to rise in five years by nearly two percentage points for African-Americans and by nearly 1.5 percentage points for Latinos.

Among the three alternative “one rate change” scenarios, it is clear that increasing the retention (the red line) of both groups of talent is the one change that would bring about the greatest rise in representation at leadership levels.

In summary, the Chicago FS industry is on course to see little change in the proportion of leadership positions filled by African-American and Latino talent over the next five years.

- A *choke point* exists in the promotion of African-American and Latino talent into Senior Management/Executive-level positions.
 - African-Americans and Latinos experience favorable rates of promotion into managerial-level positions in the industry, but few advance out of those levels and into more senior positions with their current employers. The data indicate that African-Americans and Latinos are more likely to enter Senior Management/Executive positions by being hired into them rather than by being promoted into them.
- *Retention* of African-American and Latino talent is a major challenge.
 - In general, employers report higher rates of attrition of African-American and Latino employees compared to rates for others and notably higher rates of attrition exist where the observed choke point of advancement exists, out of the Managers level.
- The *Professional career level* offers *significant opportunity* for launching successful careers in FS for African-Americans and Latinos.
 - African-Americans and Latinos experience higher rates of career advancement out of the Professional career level relative to others. They also report, relative to whites, more favorable work experiences and more positive views of the industry and its reputation.
- *Early exposure* to the industry contributes to its attractiveness to African-Americans and Latinos as a place to work.
 - African-Americans' and Latinos' interest in working in FS often crystallizes during the high school years, compared to college years for whites. Internships and co-op programs were cited as some of the ways of generating early exposure and interest.

- Once employed within the FS industry, African-Americans and Latinos report distinctive experiences in, and perceptions of, the industry. For example:
 - *Opportunities for career advancement* are very important to both African-Americans and Latinos and are the most important influences of their intention to work in the industry. However, the two groups differ in what they feel they need for continued advancement. Both see support from managers and senior leaders as critical to advancement opportunities, but African-Americans are more likely to cite additional education as essential to continued advancement, whereas Latinos are more likely to cite additional experience.
 - *Fairness* with regard to access to opportunities, the distribution of rewards, and the application of employer policies are important to all groups. The experience of fairness by African-Americans and Latinos is less positive than that of whites.
 - African-Americans and Latinos are less likely than whites to feel there is a racially and ethnically diverse mix of role models in their organizations and are less likely to perceive a *leadership commitment to D&I*.
 - Overall, African-Americans report relatively higher levels of job insecurity. At the most senior career level, intentions to leave the industry are more prevalent among African-Americans and Latinos compared to whites.



DRIVERS OF INTENTIONS TO LEAVE OR STAY IN THE INDUSTRY

In order to determine the key experiences and perceptions that influence someone in FS to remain in the industry or leave it to work elsewhere, we conducted a driver analysis. This analysis considered various aspects of the workplace experience, including fairness and respect, pay and benefits, general working conditions (such as work schedule, stress, and location), type of work, D&I in the workplace, mentors/sponsors, the industry, supervisor relationships, and training and development.

The drivers of retention are different for African-Americans, Hispanics, and Whites, with long term career outlook emerging as the strongest drivers of intent to stay for African Americans and Latinos. All significant drivers of retention for all three groups are shown in the following table.

EXHIBIT 3: FACTORS MOST INFLUENCING THE INTENT TO LEAVE THE FS INDUSTRY

| | African-American | Latino | White |
|---|------------------|--------|-------|
| Opportunity to reach long-term career goals | ✓ | ✓ | |
| FS industry reputation | ✓ | ✓ | |
| Type of work I do | ✓ | | |
| Level of work stress | ✓ | | |
| Ethics and integrity of co-workers | | ✓ | |
| Quality of leadership | | ✓ | |
| Interesting and challenging work | | ✓ | |
| Relationship with co-workers | | | ✓ |
| Prestige and status of FS industry | | | ✓ |

SUPPORTING A POSITIVE LONG-TERM CAREER OUTLOOK IN FINANCIAL SERVICES

A secondary analysis of long-term career outlook, the strongest driver of intent to stay for African Americans and Latinos, found several aspects of the work environment and experiences that contribute to having a positive career outlook.

EXHIBIT 4: WORKPLACE EXPERIENCES ASSOCIATED WITH LONG-TERM CAREER OUTLOOK



THE UPSHOT: ACTIONS FOR EMPLOYERS AND INDUSTRY

Employers seeking to build more diverse workforces often turn first to recruiting and hiring as a solution. For the Chicago FS industry, managing talent losses — rather than talent acquisition — appears to be a more effective approach to achieving more diverse leadership. There are, of course, many possible strategies for increasing retention. The report offers insights from the experiences of African-Americans and Latinos in the Chicago FS industry that can inform possible solutions.



For Employers

- *Fill senior leadership from within.* The projected decline of African-American and Latino representation at the leadership level is a result of the pattern of hiring, rather than promoting, African-American and Latino talent into the highest levels of leadership as well as the comparatively high rates of attrition of such talent from the Manager level.
- *Reduce attrition.* African-American and Latino talent leave their FS employers at higher rates than do others. Consequently, their increased retention is a powerful lever for increasing workforce diversity.
- *Hire African-American and Latino talent at the Professionals career level.* Circumstances at this level present a favorable mix of advancement opportunity and positive experiences for starting a career in the industry.
- *Ensure fairness.* Beyond matters of compliance, explicit impartiality in processes and procedures for advancement and for rewards can overcome the experience of reduced fairness reported by African-Americans and Latinos and can signal a genuinely inclusive culture.
- *Leadership matters.* Demonstrated commitment to D&I by top leadership is an indispensable ingredient in the recipe for change. Organizational leaders – such as CEOs – not only can be effective ambassadors for the industry but also are the ones in a position to ensure that their organizations operate in a way that supports D&I objectives with regard to African-American and Latino talent.



For the Industry

- *Build community relations with the industry and create early awareness of opportunities in FS.* One way in which employers in the industry can act in concert to serve shared diversity objectives is by engaging in activities that give African-Americans and Latinos early positive exposure to the industry and opportunities in it.
- *Expand industry recruitment efforts of new graduates.* A concern voiced by several employers in the course of the research was that too many employers dip into the same limited-size pools of talent — new graduates from a few universities. Increasing the number and types of university sources of talent for the industry is in the interest of all employers who seek to increase their inclusion of African-American and Latino employees.
- *Identify diverse talent with skills transferable to FS.* One way of immediately increasing the number of African-American and Latino job applicants is by targeted recruiting of such talent from other industries. “Targeted” means identifying those industries in which the occupations in them require skills and capabilities that are like those required in FS, thus facilitating the successful movement of individuals from there to FS. Employers can efficiently act in concert to identify such target occupations in the Chicago area and then individual employers can make their own choices about how best to recruit such talent.

This report’s findings provide a basis for prioritizing and directing movement toward the objectives of greater representation and cross-cultural competency. Although the industry can productively act in concert to facilitate progress, success ultimately will depend on the actions implemented by individual employers.

ABOUT THE AUTHORS



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