



Testimony Before Subcommittee on
Diversity and Inclusion, Committee on
Financial Services, House of
Representatives

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FINANCIAL SERVICES INDUSTRY

Overview of Representation of Minorities and Women and Practices to Promote Diversity

Statement of Statement of Daniel Garcia-Diaz, Managing
Director, Financial Markets and Community Investment

GAO Highlights

Highlights of [GAO-23-106427](#), a testimony before the Subcommittee on Diversity and Inclusion, Committee on Financial Services, House of Representatives.

Why GAO Did This Study

The financial services industry provides services that help families build wealth and is essential to the continued economic growth of the country. Research has found that a diverse workforce can help managers understand and address the needs of a demographically diverse customer base. Diversity also can be beneficial in solving complex problems and lead to better performance.

This statement is based on five GAO reports ([GAO-21-490](#), [GAO-20-637](#), [GAO-19-589](#), [GAO-18-64](#), [GAO-17-726](#)) on diversity efforts in the financial services industry and recent EEOC data. It discusses our work on (1) trends in management-level diversity in the financial services industry and (2) diversity and inclusion efforts by private and public financial services entities.

For this statement, GAO analyzed the most recent available EEOC data from 2018 through 2020 on workforce race, ethnicity, and gender in the financial services industry. For the prior work, GAO reviewed literature, documentation on diversity practices and policies, and EEOC data. GAO also interviewed representatives from federal agencies, financial services firms, and nonprofits.

View [GAO-23-106427](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or GarciaDiazD@gao.gov.

December 2022

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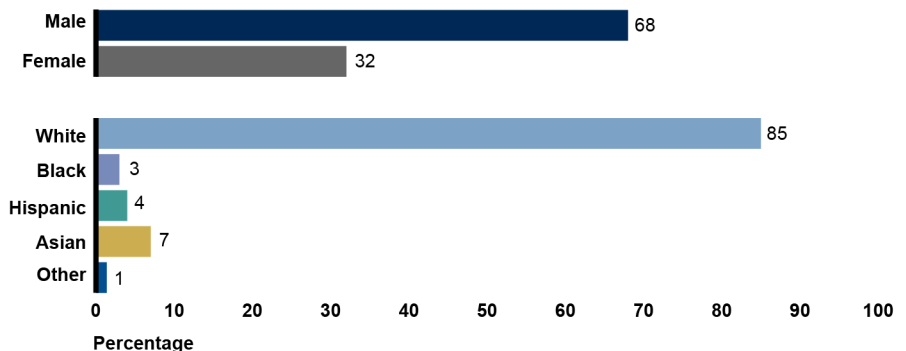
What GAO Found

Equal Employment Opportunity Commission (EEOC) data that GAO analyzed on diversity in the financial services industry show slight increases in representation of minorities (racial/ethnic groups other than White) and women in management positions from 2007 to 2020. For instance, for senior management positions:

- EEOC data (for 2007–2015) showed that Asian representation increased from 4 to 5 percent. Black and Hispanic representation was about 3 percent. Female representation remained around 29 percent in that period.
- EEOC data (for 2018–2020) showed representation for both minorities and women was relatively flat or marginally increased. Black and Hispanic representation remained at about 3 and 4 percent, respectively. Female representation increased from 31 to 32 percent in that period.

Representatives of financial services firms and other stakeholders with whom GAO spoke for the November 2017 report ([GAO-18-64](#)) described challenges in recruiting and retaining members of minority groups and women. They also identified practices that could help address the challenges, including recruiting students from a broad group of schools and academic disciplines and establishing management-level accountability to achieve diversity goals.

Gender and Race/Ethnicity Representation of Executive/Senior-Level Management in the Financial Services Industry, 2020



Source: GAO analysis of Equal Employment Opportunity Commission data. | [GAO-23-106427](#)

Note: The "Other" category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native, and "two or more races."

GAO's more targeted work highlighted industry challenges in recruiting and retaining women and minorities and using the services of minority- and women-owned businesses. GAO examined diversity efforts of the Federal Home Loan Banks, Fannie Mae, and Freddie Mac. GAO also reviewed practices for selecting minority and women-owned asset managers and recruiting women with science, technology, engineering, and math degrees. Challenges included high levels of competition for diverse talent and bias in selecting service providers (preference for larger firms with brand recognition). Key practices to address these challenges included conducting targeted outreach and communicating diversity and inclusion priorities and goals within their organization.

Chairwoman Beatty, Ranking Member Wagner, and Members of the Subcommittee:

I am pleased to be here today to discuss diversity trends in the financial services industry and our prior work on this topic. The financial services industry provides services that help families build wealth and is essential to the continued economic growth of the country. Research has found that a diverse workforce can help managers understand and address the needs of a demographically diverse customer base. Also, diversity can be beneficial in solving complex problems and lead to better performance.

Today, I will discuss our work on (1) trends in management-level diversity in the financial services industry and (2) diversity and inclusion efforts by financial services entities. My remarks today are based on a body of work we completed at the request of this committee and subcommittee since 2017. This work includes our November 2017 report on trends in representation of minorities and women and diversity practices in the financial services industry.¹ It also includes our June 2021 report on factors affecting careers for women with degrees in science, technology, engineering, and math (STEM).² Other recent work focused on specific financial services sectors.³

For this statement, we analyzed data from the Equal Employment Opportunity Commission (EEOC) from 2018 through 2020 on workforce race, ethnicity, and gender in the financial services industry.⁴ Data through 2020 was the most recent data available.⁵ We conducted electronic testing of the data and reviewed relevant EEOC documentation and found the data sufficiently reliable for our description of workforce

¹GAO, *Financial Services Industry: Trends in Management Representation of Minorities and Women and Diversity Practices, 2007-2015*, [GAO-18-64](#) (Washington, D.C.: Nov. 8, 2017). In this statement, the term minorities refers to racial and ethnic groups other than White.

²GAO, *Financial Services Industry: Factors Affecting Careers for Women with STEM Degrees*, [GAO-21-490](#) (Washington, D.C.: June 15, 2021).

³GAO, *Investment Management: Key Practices Can Provide More Opportunities for Minority- and Women-Owned Asset Managers*, [GAO-17-726](#) (Washington, D.C.: Sept. 13, 2017); *Federal Home Loan Banks: Efforts to Promote Workforce, Supplier, and Broker-Dealer Diversity*, [GAO-19-589](#) (Washington, D.C.: Aug. 16, 2019); and *Fannie Mae and Freddie Mac: Efforts to Promote Diversity and Inclusion*, [GAO-20-637](#) (Washington, D.C.: Sept. 8, 2020).

⁴For our analysis, we used the EEOC “sex” variable as a proxy for gender.

⁵We downloaded the data from the Equal Employment Opportunity Commission’s website on Nov. 30, 2022 (see <https://www.eeoc.gov/statistics/employment/jobpatterns/eeo1>) and calculated the percentages.

diversity in the financial services industry in 2018–2020. For our November 2017 report, we also analyzed EEOC data (for 2006–2015) and interviewed representatives of financial services firms and advocacy organizations. The work for our August 2019 report on the Federal Home Loan Banks (FHLBank), September 2020 report on Fannie Mae and Freddie Mac, and our September 2017 report on asset managers included reviewing documentation on the entities’ diversity practices and policies and interviewing entity representatives. For our June 2021 report on women with STEM degrees, we conducted a literature search and interviewed representatives of financial services firms and nonprofits and women in leadership positions in financial technology firms. More details about our scope and methodology for our prior work can be found in the published reports.

The work on which this statement is based was performed in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Most private employers subject to Title VII of the Civil Rights Act of 1964, as amended, with 100 or more employees, and all federal contractors that have 50 or more employees and meet certain other requirements, must submit data to the EEOC on the racial/ethnic and gender characteristics of employees by occupations for a range of industries, including financial services. Employers are required to submit these data to EEOC every year using the EEO-1 report.

EEOC requires employers to use the North American Industry Classification System to classify their industry. Under this system, the financial services industry includes the following five sectors:

- Credit intermediation and related activities (banks and other credit institutions), which include commercial banks, thrifts, and credit unions;
- Securities and other activities, which includes firms that bring together buyers and sellers of securities and commodities and offer financial advice;
- Insurance firms and agents that provide protection against financial risks to policyholders;
- Funds and trusts, which include investment trusts and holding companies; and

Trends in Management
Representation of
Minorities and Women
Reflect Marginal Progress

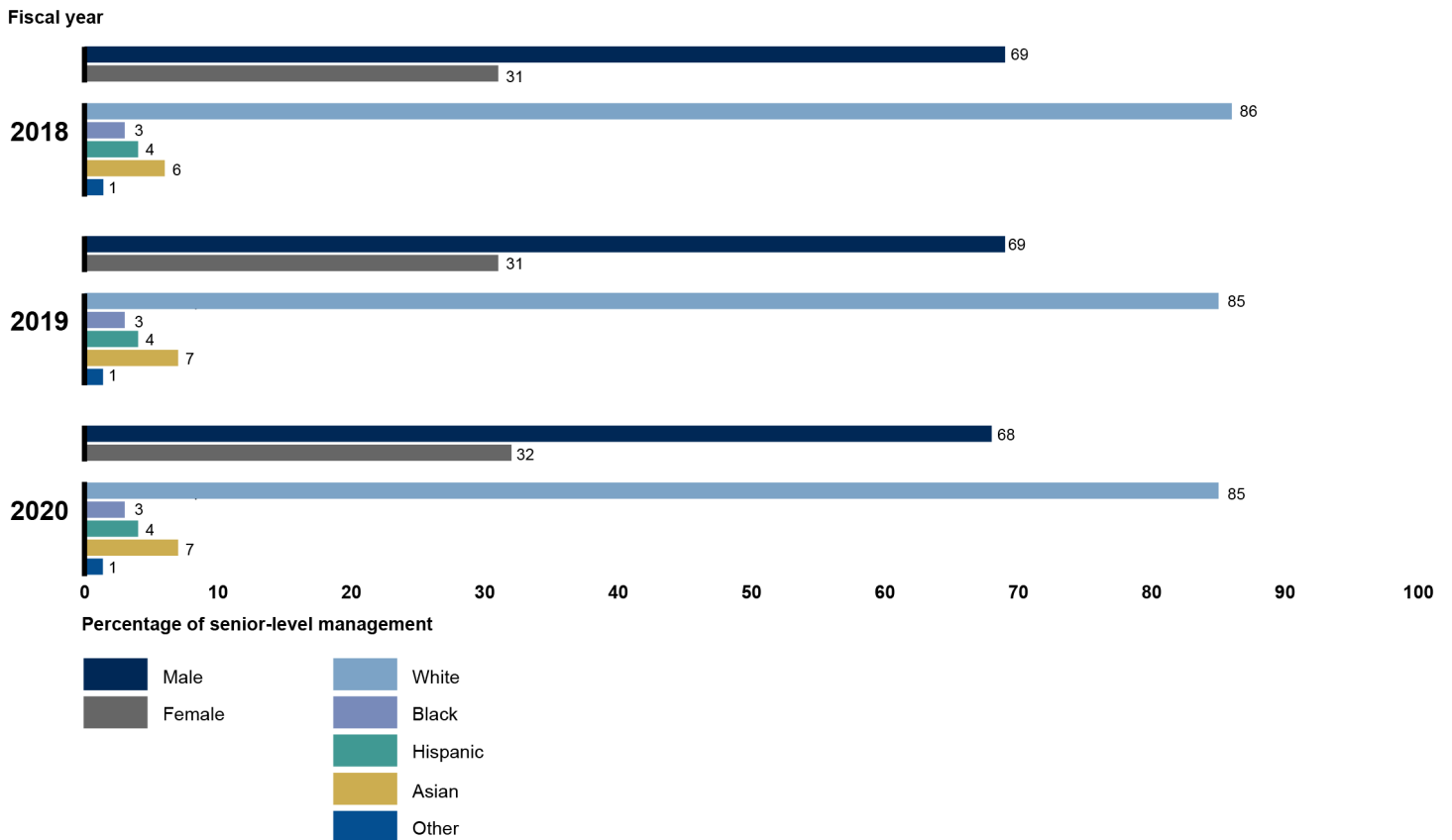
- Monetary authorities, including central banks.

Minority and female representation in management positions in the financial services industry increased slightly from the last time we reported on these trends in November 2017. For senior-level positions, the EEOC data we analyzed for the 2017 report (for 2007–2015) showed shares for minority groups varied.⁶ Specifically, EEOC data showed that Asian representation increased from 4 to 5 percent over the time period. Black and Hispanic representation was about 3 percent, respectively, for the period. Female representation remained around 29 percent in that period.

The more recent EEOC data we analyzed for this statement (for 2018–2020) suggest the share for minority groups ranged from 1 to 7 percent by 2020 and the share for women reached 32 percent. During 2018—2020, representation for both minorities and women in senior-level management positions was relatively flat or marginally increased (see fig. 1). For instance, Black and Hispanic representation remained at 3 and 4 percent, respectively. Asian and female representation each increased by 1 percentage point in the period.

⁶We produced several reports since 2006 on trends in representation of women and minorities in the financial services industry, including trends at the management level. The most recent of these reports is GAO, *Financial Services Industry: Trends in Management Representation of Minorities and Women and Diversity Practices, 2007-2015*, [GAO-18-64](#) (Washington, D.C.: Nov. 8, 2017). For more reports, see the Related GAO Products page at the end of this statement.

Figure 1: Percentage of Minorities and Women in Senior-Level Management Positions in the Financial Services Industry, fiscal years 2018–2020

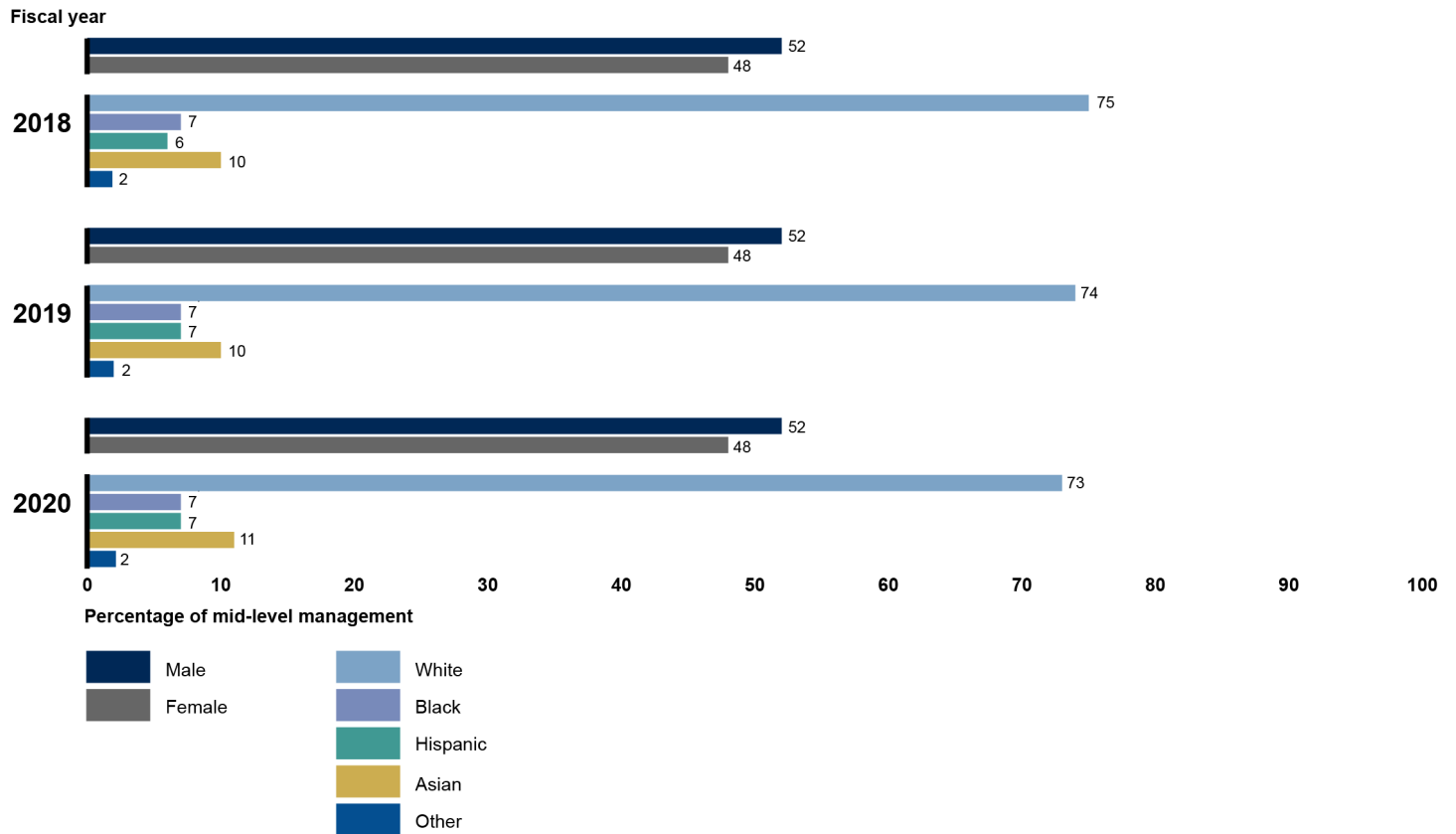


Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-23-106427

Note: The “Other” category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native, and “two or more races.”

The percentage of minorities and women in mid-level management positions—a potential pipeline for senior positions—was higher than for the senior-level positions, as was true when we reported in 2017. The share of minority groups in mid-level positions increased from a range of about 1.5 to 8 percent in 2015 to a range of about 2 to 11 percent by 2020. The percentage of women in mid-level management positions remained unchanged (about 48 percent in 2015 and also about 48 percent in 2020). During 2018-2020, representation in these positions remained flat or relatively flat for minority groups and women (see fig. 2). Hispanic and Asian representation each increased by one percentage point in the most recent period.

Figure 2: Percentage of Minorities and Women in Mid-Level Management Positions in the Financial Services Industry, fiscal years 2018–2020



Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-23-106427

Note: The “Other” category includes Native Hawaiian or Pacific Islander, Native American or Alaska Native, and “two or more races.”

Representatives of financial services firms and other stakeholders with whom we spoke for the November 2017 report described challenges to recruiting and retaining members of racial/ethnic minority groups and women. They also identified practices that could help address those challenges. For example, representatives from several firms noted that an effective practice is to recruit and hire students from a broad group of schools and academic disciplines. Some firms also described establishing management-level accountability to achieve workforce diversity goals. Firm representatives and other stakeholders agreed that it is important for firms to assess data on the diversity of their employees but varied in their views on whether such information should be shared publicly.

Entities Used Various Practices to Address Challenges and Expand Opportunities

Our body of work over the years has examined steps private and public financial services entities took to expand opportunities for minority- and women-owned businesses that provide professional services to them and to develop the diversity of their workforces. This work has highlighted key practices intended to help address challenges in expanding opportunities in the financial services industry.

- **Asset managers.** According to asset managers and industry associations, minority- and women-owned asset managers face challenges when competing for investment management opportunities with institutional investors, including investor and consultant brand bias (for larger asset managers with brand recognition) and the perception that minority- and women-owned firms do not perform as well as other firms. In our 2017 report, we identified four key practices to increase opportunities for minority- and women-owned asset managers: (1) top leadership demonstrating commitment, (2) removing barriers, (3) conducting outreach, and (4) communicating priorities and expectations to investment staff and consultants.⁷ We recommended that four federal entities that made partial or no use of the practices more fully apply them.⁸ Since 2017, the four entities have addressed these recommendations by taking actions to implement key practices in their asset manager selection processes. Implementing the key practices allows institutional investors to widen candidate pools and help ensure they find the most qualified firms for their needs. The practices also could eliminate some of the barriers minority- and women-owned firms face and increase opportunities for these firms.
- **Federal Home Loan Banks, Fannie Mae, and Freddie Mac.** In our 2019 report on the Federal Home Loan Banks' diversity efforts and our 2020 report on Fannie Mae and Freddie Mac's efforts, we generally found that the shares of women and minorities in senior management positions were on par with or exceeded those for the

⁷[GAO-17-726](#).

⁸These four entities we made recommendations to are the Army and Air Force Exchange Service, Navy Exchange Service Command, Tennessee Valley Authority Retirement System, and Federal Retirement Thrift Investment Board. This report also covered the Federal Reserve System, Smithsonian Institution, Pension Benefit Guaranty Corporation, and National Railroad Retirement Investment Trust. We did not evaluate the National Railroad Retirement Investment Trust's asset manager selection processes because it is not a department, agency, or instrumentality of the federal government, and it is not subject to the federal law that governs the financial operations of the federal government and establishes the powers and duties of the GAO.

financial services industry as a whole.⁹ The FHLBanks, Fannie Mae, and Freddie Mac faced similar challenges in recruiting, retaining, and promoting women and minorities (such as high levels of competition for diverse talent with the appropriate skills). FHLBank staff also told us that the relatively low turnover and small workforce at the banks limits opportunities for hiring and promotion.

We found that the FHLBanks, Fannie Mae, and Freddie Mac implemented a variety of key practices to maintain and increase diversity in their workforces. For example, they all implemented diversity and inclusion strategic plans, used quantitative data to establish benchmarks and measure progress, and conducted targeted recruitment to build a potential pipelines of diverse employees. The Federal Housing Finance Agency also conducted oversight of the FHLBanks', Fannie Mae's, and Freddie Mac's diversity and inclusion efforts through annual examinations and communication of agency expectations for diversity and inclusion efforts.¹⁰

- **Women in science, technology, engineering, and math.** The financial services industry is highly dependent on technology and more than one-fifth of industry employees have STEM degrees. But women continue to be underrepresented in these degree programs. Our 2021 report identified several factors that affect women's participation, including early exposure to STEM topics, access to resources (such as computers and high-speed internet), the presence of role models, and awareness of job opportunities.¹¹

We found that some financial services firms made efforts to promote interest in both STEM and financial services among women. For example, they provided funding and other support to nonprofit organizations focused on increasing girls' participation in STEM, sponsored conferences for women in STEM, and offered scholarships to women studying STEM. To recruit women with STEM degrees,

⁹[GAO-19-589](#) and [GAO-20-637](#). The FHLBanks, Fannie Mae, and Freddie Mac are government-sponsored enterprises. The FHLBank system comprises 11 federally chartered banks and the Office of Finance. The FHLbanks provide liquidity for member institutions—such as commercial and community banks, thrifts, credit unions, and insurance companies—to use in support of housing finance and community lending. Fannie Mae and Freddie Mac purchase single-family and multifamily mortgage loans from lenders to provide stability and liquidity in the secondary market for home mortgages.

¹⁰The 2019 and 2020 reports also included information on supplier and broker-dealer diversity. See the full reports for more information on these topics.

¹¹[GAO-21-490](#).

they collaborated with organizations that work with women in STEM majors and sponsored conferences for women in technology.

Chairwoman Beatty, Ranking Member Wagner, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this statement, please contact Daniel Garcia-Diaz Managing Director, Financial Markets and Community Investment, at (202) 512-8678 or GarciaDiazD@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Kay Kuhlman (Assistant Director), Kaitlan Doying (Analyst-in-charge), Moon Parks, Barbara Roesmann, and Jena Sinkfield.

Related GAO Products

Financial Services Industry: Factors Affecting Careers for Women with STEM Degrees, [GAO-21-490](#). Washington, D.C.: June 15, 2021.

Fannie Mae and Freddie Mac: Efforts to Promote Diversity and Inclusion. [GAO-20-637](#). Washington, D.C.: Sept. 8, 2020.

Federal Home Loan Banks: Efforts to Promote Workforce, Supplier, and Broker-Dealer Diversity. [GAO-19-589](#). Washington, D.C.: Aug. 16, 2019.

Federal Home Loan Banks: Steps Have Been Taken to Promote Board Diversity, but Challenges Remain. [GAO-19-252](#). Washington, D.C.: Feb. 14, 2019.

Financial Services Industry: Trends in Management Representation of Minorities and Women and Diversity Practices, 2007–2015. [GAO-18-64](#). Washington, D.C.: November 8, 2017.

Investment Management: Key Practices Could Provide More Options for Federal Entities and Opportunities for Minority- and Women-Owned Asset Managers. [GAO-17-726](#). Washington, D.C.: September 13, 2017.

Corporate Boards: Strategies to Address Representation of Women Include Federal Disclosure Requirements. [GAO-16-30](#). Washington, D.C.: December 3, 2015.

Federal Home Loan Banks: Information on Governance Changes, Board Diversity, and Community Lending. [GAO-15-435](#). Washington, D.C.: May 12, 2015.

Diversity Management: Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis. [GAO-13-238](#). Washington, D.C.: April 16, 2013.

Federal Reserve Bank Governance: Opportunities Exist to Broaden Director Recruitment Efforts and Increase Transparency. [GAO-12-18](#). Washington, D.C.: October 19, 2011.

Financial Services Industry: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1994—2008. [GAO-10-736T](#). Washington, D.C.: May 12, 2010.

Financial Services Industry: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993—2004. [GAO-06-617](#). Washington, D.C.: June 1, 2006.

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