



BANK OF ENGLAND

Mark Carney
Governor

The Rt Hon Nicky Morgan MP
Chair of the Treasury Committee
House of Commons
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4 July 2018

Dear Nicky

Thank you for your letter dated 28 June setting out the Committee's concerns regarding diversity in public appointments and at senior levels within the Bank of England.

The Treasury Committee's welcome focus on this issue deserves a comprehensive response. This letter, its annex and references provide more detail on the Bank's considerable efforts in recent years to enhance diversity in all of its forms. My colleagues and I would welcome the opportunity to discuss the Bank's strategy, the significant progress it has already made and the prospects for further advances.

A: The Bank of England's Commitment to Diversity and Inclusion

Promoting diversity and inclusion has been a top strategic priority for the Bank's executive team and Court of Directors since I became Governor.

Since the launch of our One Bank strategy in 2014, we have been consistently clear that having a diverse workforce is essential to delivering our mission to promote the good of the people of the United Kingdom by maintaining monetary and financial stability.¹ This is because:

- the Bank needs to reflect the public it serves;
- diversity helps build the trust we need to deliver our remits; and
- it is well-established that diversity leads to more creative thinking and reduces the risks of groupthink and unconscious bias.

¹ There are a series of public sources which speak to our commitment. See for example, Carney, M. 'Reflecting diversity, choosing inclusion' (2017); NAO report: Progress delivering the 'One Mission, One Bank' strategy (2017); Annual Report 2018 (Our People section); Place, J. 'Building an inclusive culture: are opportunities enough?' (2018); and BoE/ECB/Federal Reserve Gender Progression Conference (2018).

The Bank defines diversity as both “who we are” (identity diversity, such as gender, ethnicity, sexual orientation) and “how we think” (cognitive diversity). And we have stressed that, while diversity is a reality, inclusion is a choice. That is why we have made a series of changes to our working practices to reduce hierarchies, promote open debate and realise the full contributions of all of our people.

B: The Numbers

As you know, the majority of appointments to the policy committees and to Court are made by government and so are not within our gift.

With this caveat, I would note that, alongside the recent appointment of Jonathan Haskel to the MPC and Bradley Fried as Chair of Court, the Government appointed Diana Noble and Anne Glover to Court and Julia Black and Jill May to the PRC. Since 2013, 12 out of 26 – some 46% – of new appointments to the Bank’s committees have been women. Female Non-Executive Directors on the Bank’s Court now outnumber male Non-Executive Directors for the first time in our organisation’s history.

The Bank is of course responsible for the diversity of our own colleagues and has made it a priority to improve this diversity. That is why, in 2014, we made Diverse and Talented the first pillar of our Strategic Plan (see Annex 1). And we set ourselves stretching Bankwide targets:

- to increase the representation of female colleagues in our senior roles to 35% by 2020;
- to increase the representation of BAME colleagues in senior roles to 13% by 2022; and
- below senior management, for 50% female and 20% BAME colleagues by 2020.

Our strategy – which is detailed below – is working, with major progress over the past five years:

- After our most recent round of senior appointments, female representation in our senior roles will increase from 17% in 2013 to 31%.² As you will appreciate, the average annual percentage increase of 2.5% is consistent with achieving our stretch target.
- Bank-wide female representation has also increased from 43% in 2013 to 45%.
- In the management cohort immediately below our Executive Director³ level, there are now more women (at 56%) than men.
- Since 2013, BAME representation at senior levels has increased from 2% to 5%.
- BAME representation across the Bank has increased from 13% to 18%.
- The proportion of colleagues who identify as lesbian, gay, bisexual and transgender is 3%, compared to between 2% and 6% nationally.⁴ Among our senior management, the figure is 5%.

² Defined as Head of Division and above. External members of the Bank’s policy committees are excluded.

³ The Executive Directors of the Bank together form our Executive Director Committee. Among our Executive Directors, our gender diversity split is 26% female; 74% male. As noted, among our Directors (immediately below the EDCo level), the gender diversity split is 56% female, 44% male.

- Currently 3% of colleagues have declared a disability (with 2% representation in senior management).
- 13% of our colleagues work on a formal part-time arrangement, compared with 12% last year. This does not include colleagues who work flexibly, shaping their working hours to their role under our flexible working policy.
- We continue to challenge ourselves to think laterally and creatively about flexible working arrangements to ensure we are taking a fully inclusive approach. This year saw our first job share appointment at Executive Director level.⁵ At present, 18% of our senior management have formal part-time working arrangements.
- Our colleagues recognise the Bank's work and positive progress to strengthen diversity and inclusion. In our annual employee survey, almost 80% of colleagues think the Bank takes diversity seriously. Two-thirds of colleagues say they have seen their local areas make progress in support of the Bank's diversity goals and 86% say they are treated with respect as an individual.⁶

C: The Strategy

These improvements did not happen by accident, but were the product of a consistent determined strategy. Under the Diverse and Talented pillar of our 2014 Strategic Plan, we set out measures for delivering on our ambitious targets. These included:

- A restatement of our values (which are Collaborative, Inclusive, Empowering, Decisive and Open), and linking these to our performance management process and employees' reward.
- Ensuring that our Executive Directors have specific performance objectives linked to our Diverse and Talented pillar.
- Inclusive Leadership Training for our managers (including unconscious bias training).
- Harmonising pay and conditions across the organisation to ensure the full integration of the PRA into the wider Bank, to remove barriers to mobility across the organisation (and thereby encouraging diversity of thought) and to attract and retain a mix of talent.

To build on progress from our One Bank strategy, we launched our Inclusion strategy in February 2017. This brought together the Bank's work in diversity, wellbeing and community, supported by a dedicated team. The strategy aims to continue to build an inclusive culture at the Bank where colleagues can produce their best work.

Examples of measures we are taking are detailed below.

⁴ [ONS](#) has estimated the LGBT population of the UK to be 2%. [Public Health England](#) estimated the population size to be a maximum of 6%.

⁵ <https://www.bankofengland.co.uk/about/people/lea-paterson/biography>

<https://www.bankofengland.co.uk/about/people/jonathan-curtiss/jonathan-curtiss>

⁶ [Bank of England ViewPoint survey results 2017](#)

Building the pipeline

We are working to foster greater diversity in our external hires and to build a pipeline for future senior appointments. We have launched a Career Returners programme, in partnership with Women Returners, a specialist return-to-work organisation, with the aim of attracting and supporting professionals returning to the workforce. Overall, of the 622 new hires that joined the Bank over the last financial year, 43% were female.

To increase representation in senior positions, we have recently launched a pilot sponsorship programme – initially being trialled with female and BAME colleagues – under which Executive Directors offer support for career planning and progression. All new managers are now required to undertake unconscious bias training as part of their management induction process. We have extended the use of anonymous CVs to cover all recruitment processes and take steps to ensure we use gender neutral language in our recruitment literature. We continue to strive for balanced shortlists and interview panels.

We are also trialling pooled recruitment for senior appointments, so as to consider and appoint to open vacancies from a cohort of colleagues, rather than looking at each individual appointment in isolation. Our first pilot round has just concluded and based on the decisions recently made, female representation at senior management will increase to 31% once all the appointments have been effected.

Mentoring can help individuals plan and achieve career and personal goals, tackle specific issues, learn from the experience of others, build relationships and increase confidence and awareness. That is why in February 2017 we launched the One Bank Mentoring Scheme, and brought together a range of pre-existing, directorate or network-specific initiatives into a new Bank-wide scheme. The scheme is open to all staff. We also run a reciprocal mentoring scheme, Building Bridges, which helps build senior managers' awareness of the challenges their BAME colleagues face.

Early Years

We have focussed on broadening the diversity of our talent pool, both for our school leaver programme (called the Future Capability Programme), and our Graduates. Our approach is twofold: looking at both the way in which we select and assess candidates, but also in the outreach – ensuring that the educational institutions we visit to deliver recruitment activities are diverse too.

Specifically:

- **On social mobility**, we have been measuring the outcomes of our social mobility approach for our early years recruitment, and have seen the impact of this. Of those newly hired to the 2017 Graduate Programme, 53% had one or more 'flags' on the RARE Contextual Recruitment System (CRS)⁷ which helps us to identify candidates from lower socio-economic backgrounds. The vast

⁷ The 'flags' are a way for us to identify candidates from low socio-economic backgrounds, and are identified through questions such as 'Did you regularly undertake paid work during term time?', or 'Are you the primary carer for a sick, elderly or disabled person or for a child?'. Flags also look at the performance of a student in comparison to their school average, identifying over-achievers whose grades may be particularly high in the context of the school they are studying at (rather than comparing them like for like with other students).

majority of entrants to our Future Capability Programme this year⁸ (90%) came from state schools, with 70% having one or more 'flags' on the RARE CRS. We also run a structured work experience programme which enables young people from lower socio-economic backgrounds to get a better understanding of our work.

- **On ethnicity**, we launched our African-Caribbean Scholarship Programme in 2015 offering financial support to students from Black or Mixed African or Caribbean backgrounds to support them through their undergraduate degree courses. Through this scheme, we have to date awarded 10 scholarships (financial support for undergraduate studies, paid internships at the Bank and mentoring). In addition, and reflecting the exceptionally strong field of candidates, we have offered 8 bursaries to support studies and 16 paid internships.
- We have **widened the set of universities from which we recruit**. Our 2017 graduate intake came from 35 different UK universities (almost four times as many as a decade ago), and from a wide range of degree disciplines (only around half of our new graduate entrants have studied economics).
- To enable us to continue to hire graduates from a broader set of disciplines and train them as economists and technical specialists **we have introduced our Central Banking Qualification (CBQ)** — designed in collaboration with Warwick University. Our first CBQ intake completed the two-year certificate programme in 2017.

Overall, of those newly hired to the graduate programme in 2017, 44% were female and 22% BAME.

We are also working – through outreach to schools and universities – to encourage a more diverse set of students to study economics and finance. To support our efforts we have recently launched our education outreach programme, consisting of free classroom materials (our econoME initiative⁹), competitions and school visits to help explain how the economy works and what the Bank of England does. Through this, we are aiming to attract more state school, BAME and female students into economics. To reinforce this message, we are committed to visiting 200 schools a year – 50 of these visits will be undertaken by the Bank's committee members, including me. Based on current sign-up rates, our econoME programme will reach 100,000 students in the state school sector over the next 18 months.

Building an inclusive culture

We give our managers training to recognise the signs of stress and the effects on mental health; and ensuring our colleagues who are carers can get the adjustments they need to balance their caring needs with work.

⁸ Our 18 month recruitment programme aimed at those leaving school after completing their A levels.

⁹ See Carney, M. 'Opening remarks at the econoME launch event' (2018)

We have also launched an internal Opportunity Exchange with the aim of giving a broader pool of colleagues development opportunities. The Exchange provides the chance to advertise and volunteer for different projects across the Bank. There is a whole range of opportunities available, from a time commitment or an hour, or a recurring commitment over a number of months.

This year, we have also conducted a cognitive diversity survey to gain a better understanding of how our colleagues feel about working at the Bank. Research shows that to realise the benefits of cognitive diversity, people need to feel included. We want to understand the behaviours that contribute to or detract from this. We will be analysing the results of this over the coming months.

We are proud to have a number of thriving and influential employee network groups including Women in the Bank, LGBT+ and Allies, Bank of England Ethnic Minority, Mental Health, Disability, Carers, Parents, and three Faith Networks (Muslim, Jewish and Christian Union).

The Employee Network Groups support colleagues in the Bank to be themselves and connect with different aspects of their lives. They bring issues to the attention of the Bank's senior team and they hold us to account, raise awareness of different cultures and causes, and educate us to work against any biases. For example, the disability network has played a huge part in our efforts to make the building more accessible, the women's network was heavily involved when we developed our flexible working propositions and the Bank's ethnic minorities network runs a reciprocal mentoring scheme to support career development.

Other key network initiatives over the past year included: the 10th anniversary of the Women in the Bank network; undertaking the Business Disability Forum benchmarking and creating an action plan for improving key services across the Bank; Marching in Pride, where for the second year we flew the Pride Flag on top of our Threadneedle Street building; celebrating Chinese New Year, Eid and Diwali; lighting a Menorah for Hanukah; and holding a carols service for Christmas. We also lit the Bank green to raise awareness during Mental Health Awareness Week.

D: The Bank as a Role Model

We have strengthened our external accountability, for example by including in our 2018 Annual Report not only our 2018 gender pay gap (mean: 21.2%; median: 24.6%) but our 2018 BAME pay gap (mean: 12.5%; median: 6.6%). This is a year ahead of the statutory reporting requirements for the gender pay gap.

We are signatories of the Women in Finance Charter and hosted the launch event back in 2016. We are fully compliant with all of the charters requirements, and, as I said in my speech at the launch, Jayne-Anne Gadhia's initial report, brimming with practical recommendations, is very valuable to the financial sector as a whole.¹⁰

We recently hosted a conference with the ECB and Federal Reserve on Gender and Career Progression, the first conference to be held by our central banks on this topic, and are now following up on findings.

¹⁰ Carney, M. 'Opening remarks to the 'Empowering productivity: harnessing the talents of women in financial services' report launch' (2016).

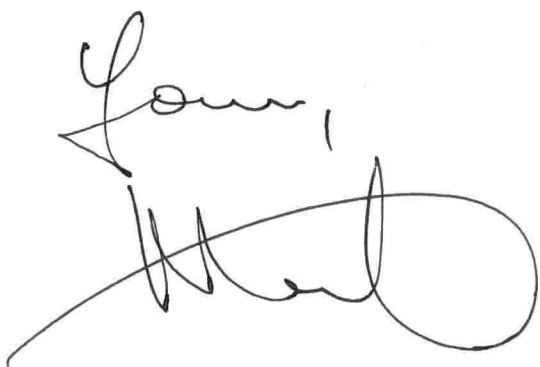
Implementing the Women in Finance Charter's recommendations includes measures to strengthen the accountability of our executive team for progress in their areas, as well as appointing an executive – Joanna Place, our Chief Operating Officer – responsible for gender diversity across the Bank. As mentioned above, our executive team also have a specific performance objective on diversity which is linked to their annual performance award.

The Bank has been adopting gender neutral language in its publications. In that spirit, the PRA committed in 2017 to use gender neutral language in its communications with firms to encourage equality and diversity at regulated firms. Non-gender neutral references such as 'chairman' have been dropped and generic individuals are now addressed as 'their' rather than 'his/her'.

The PRA has actively required banks (since 2015) and more recently insurers to have a policy to consider a broad set of qualities and competencies when recruiting board members and to promote diversity among them. This guidance is a reminder of the important role that diversity plays in promoting good governance and as a safeguard against group-think. The point is to have the diversity of skills, approach, experience and capacity to provide effective challenge across the full range of the firm's business and the opportunity to explore key business issues rigorously. There are no required targets for diversity in this context, but firms are required to publish a policy framework around board member selection. In August 2016, we sent a letter to the Chair of every regulated Bank to remind them of their responsibilities under the PRA handbook regarding diversity on their boards.

I trust this letter clarifies both the Bank of England's commitment to diversity and inclusion and the considerable progress we have made in recent years. Members of the TSC, and the general public you represent, can be assured that it will remain one of the Bank's highest priorities. We will continue to challenge ourselves to find different and innovative ways to embed a fully inclusive culture.

And we will continue to strive to create a diverse and inclusive Bank that better reflects and serves the good of the people of the United Kingdom.

A handwritten signature in black ink, appearing to read 'Paul Tucker', with a large, stylized loop at the end.

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