



BANK OF ENGLAND

# Speech

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## Investing in Ethnicity & Race

Speech given by

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## Introduction

It's a pleasure for the Bank of England to host this workshop on *Investing in Ethnicity & Race*.

To pursue its mission, Bank of England must reflect the diversity of the people it serves.

That hasn't always been the case. Historically, central banks were run by the City for the City. The Bank's first female Court member, Frances Heaton, was appointed only in 1993, while our first Black, Asian and Minority Ethnic (BAME) member, Lord Morris, followed five years later. I'm the 120th in a very long line of male, white Governors of the Bank.

Over the last five years the Bank has implemented a concerted strategy to increase diversity and foster inclusion. These initiatives have had a material impact on all aspects of diversity at the Bank. We are now reinforcing them to further improve the retention and progression of BAME colleagues in particular, and to deepen progress on inclusion more generally.

The Bank values diversity for at least three reasons.

**First, it is the right thing to do: a public institution should reflect the public it serves.**

**Second, diversity helps to build the trust we need to fulfil our remits.**

The decisions that the Bank takes impact every UK citizen, but not everyone wants to be steeped in fan charts and stress testing.

The conventional central banker approach is to build trust through a track record. In recent decades this has been supplemented by greater transparency. But trust is also grounded in familiarity. People trust individuals, places and things that they know.

Better reflecting the diversity of the people we serve can reduce misperceptions that we are experts making esoteric decisions in an ivory tower for the benefit of others. Broader outreach to all strata of society across the country can reinforce these benefits.

Diversity can make our communication more effective. Homogenous organisations are more likely to fall afoul of the 'curse of knowledge', where people assume that their audience has the same information and base level of understanding as themselves. By drawing on alternative perspectives, we can craft our messages so that they resonate with more people.

### **Third, greater diversity leads to better decision making.**

Homogenous groups are vulnerable to over-optimism, bias and groupthink. They easily become rigid. In contrast, diverse teams can adapt better to change. Such resilience is particularly important in a world where information is super abundant and certainty is absent, and it is especially relevant in finance where most decisions are taken under uncertainty.

But diversity alone is insufficient. For its benefits to be realised fully, diverse teams must be supported by the right frameworks. Research on central bank committee design shows that diverse decision-making bodies benefit from:

- Having a clearly defined policy objective;
- Having relatively small policy committees, with external members;
- Publishing policy decisions, and;
- Allowing for external scrutiny.

### **How the Bank of England is becoming more diverse**

Five years ago we made Diverse and Talented one of four pillars of our strategic plan. Our aim was not just to increase diversity; but also to choose inclusion.

Inclusion unlocks the true value of an organisation's diversity. Only through inclusion can people realise their full potential. That's why the Bank is focussing on building a culture that values diverse ideas, encourages open debate, and empowers people at all levels to take initiative.

Our strategy has three elements:

- Inclusive recruitment,
- Inclusive culture, and
- Inclusive communications.

### **First, inclusive recruitment**

We are fishing from a larger pond. In recent years our graduates have come from 40 different universities, a six-fold increase in the past decade. Of our 2019 intake, due to join us in September, 46% of graduates are female and 39% are declared BAME students. This compares to a BAME share of 20% five years ago.

To support diverse recruitment at all levels our managers are now required to undertake unconscious bias training. We use anonymous CVs for internal and external recruitment and strive for balanced shortlists and interview panels.

In 2016 we setup a formalised talent management process for all employees, to ensure everyone has equal access to opportunities to discuss their careers.

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, in which new hires can earn Masters Degrees in Central Banking. And now around half of our graduates study economics, with the remainder plucked from the sciences, business and the humanities.

To help develop the next generation, we are working with schools and universities to encourage a more diverse set of students to study economics and finance. We provide free classroom materials through our econoME initiative, and by the end of 2018 one quarter of all state secondary schools had registered for the programme, reaching an audience of 90,000 students. Over the past year we have made more than 300 school visits, of which 75 were by the Bank's committee members, including myself.

## **Second, fostering an inclusive culture**

As we attract a more diverse workforce, we're taking a number of initiatives to enable and encourage participation.

Traditionally central banks have been notoriously hierarchical and deferential. To break down these barriers, we have changed how we make decisions to ensure that everyone participating has the same information at the same time, and can put forth their views. We have an 'author in the room' policy so that expert staff can always explain their papers in person and challenge conventional wisdom.

Our core values (which include being Inclusive and Collaborative) are embedded in everything that we do, including feeding directly into the performance management and remuneration of all colleagues.

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 (BEEM), Mental Health, Disability, Carers, Parents, and three Faith Networks. The Employee Network Groups help Bank colleagues bring their whole selves to work. I will talk more in a moment about the important work our BEEM network does to support BAME colleagues.

## **Third, inclusive communications**

Inclusion also means engaging with all our stakeholders, internal and external, and being aware of the many ways in which the economic situation affects different people. Active engagement with a range of expert and non-expert stakeholders across the UK has always been important, but it is taking on new prominence in the information age.

Our agents and Bank officials meet thousands of business contacts across the UK each year to take the temperature of the UK economy.

Our new Open Forum and Future Forum events do this on a large scale by bringing together thousands of people from the community to discuss the economy, the financial system and the Bank's role in promoting the good of the people of the United Kingdom. We listen to the views and concerns of local business leaders, technology developers, representatives from the voluntary and education sectors, unions and the wider public and explore how the Bank can maintain stability and reduce uncertainty.

Inclusive communications also requires more tailored content. Our visual summaries of our Inflation and the Financial Stability Reports, explain how developments in the global economy and financial system affect the outlook for inflation and financial stability without the need for dense text. Deploying social media, including Facebook and YouTube, can make our messages available directly to a broader audience. New digital products, such as KnowledgeBank, use accessible language and engaging visuals to help us tell a story about what the Bank does.

**Our strategy is working, with major progress over the past five years.**

For example, female representation in senior roles at the Bank has increased from 17% in 2013 to 31% today, and is on track for our target of 35% by the end of 2020.<sup>1</sup>

BAME representation below senior management is 19%, up from 13% in 2013.

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In 2018 we were one of the first organisations to conduct a special Cognitive Diversity Survey to gain a better understanding of how our colleagues feel about working at the Bank. The survey measured seven inclusivity metrics including interpersonal interactions, flexible working, communication with leaders as well as recruitment and promotion, and results are cut across twelve different aspects of diversity. Our results indicate colleagues are generally positive about inclusiveness at the Bank on every metric measured by the survey.

And 80% of colleagues in our annual employee survey reported they think the Bank takes diversity seriously, 7 percentage points higher than the UK average. And 87% of Bank colleagues say they are treated with respect as an individual, 6 percentage points higher than the UK average.

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<sup>1</sup> See also my letter to Nicky Morgan, Chair of the Treasury Select Committee, on [4 July 2018](#).

Let me now turn specifically to ethnic diversity at the Bank.

### **Investing in ethnicity<sup>2</sup>**

Our diversity and inclusion strategy has had a positive impact on BAME diversity at the Bank of England. Since we implemented name-blind recruitment processes in March 2018 around one quarter of all recruitment offers (internal and external) have been to declared BAME candidates. But there is scope for further improvement.

The turnover rate of declared BAME colleagues is higher than that for the Bank as a whole – 9.2% compared with 7.5% as of January 2019. While BAME representation at senior levels has increased from 2% to 5% since 2013, we still have some way to go to meet our ambitious target of 13% by 2022.

The Bank's experience is consistent with that of other organisations as documented by "*The Middle*" (a thorough, evidence-based research report on progressing BAME Talent in the Workplace commissioned by the Black British Business Awards).<sup>3</sup> This study concluded that across organisations the challenges were greatest in retaining and promoting ethnic minority professionals from middle management to senior executive roles. We're pleased that the changes the Bank is already making are consistent with the report's recommendations.

To maintain momentum, the Bank recently created a BAME Diversity Taskforce, chaired by Deputy Governor Sir Dave Ramsden and attended by members of both Court and our BEEM network. This Taskforce is now focusing on:

**First, supporting the progression of BAME colleagues to leadership roles** by rolling out inclusive leadership training for all colleagues and having all senior management including the Bank's Governors participate in our Sponsorship programmes and mentoring schemes.

**Second, supporting our ethnic minorities network (BEEM)**, which has achieved much since its foundation in 2012. This includes implementing reciprocal mentoring of 150 of our BAME colleagues each year. BEEM has also set up, with HR, the Bank's African/ African-Caribbean scholarship programme. Launched in 2015, we have awarded 10 scholarships and 8 bursaries to talented students studying a range of subjects from Chemical Engineering to Politics and International Relations.

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<sup>2</sup> See also my letter to Nicky Morgan, Chair of the Treasury Select Committee, on [19 March 2019](#).

<sup>3</sup> See 'Progressing Black, Asian and Minority Ethnic (BAME) talent in the workplace through collaborative action', "*The Middle*" Report, available online at: <https://www.thebbawards.com/middle-research/>

We have recently decided to provide a seat at the table for our BEEM network at senior committees whenever diversity issues are discussed. And we have launched 'Let's Talk About Race' workshops to help senior leaders become more comfortable talking about these issues.

**Third, we are ensuring greater accountability for BAME progression throughout the organisation.**

The Bank has published a huge amount of diversity data externally and internally since we first set diversity targets five years ago. We published our BAME pay gap for the first time in our 2018 Annual Report. We are currently reviewing the metrics we report to make sure they identify hotspots in terms of BAME recruitment, progression or retention.

All managers' participation in the inclusion agenda is assessed as part of annual performance reviews, and Executive Directors have specific diversity performance objectives.

Finally, I am very pleased to announce today that the Bank is signing the Race at Work charter. This Charter commits organisations to five initiatives to improve ethnic diversity in the workplace. The Bank now has all five in place.<sup>4</sup>

**Conclusion**

Choosing inclusion means listening and learning from others. That's why it is so valuable to have forums like today.

We are fortunate to have with us this morning representatives of so many organisations who have championed diversity and inclusion for many years.

We look forward to learning from all of you so that we can build a more diverse and inclusive Bank of England to serve better all the people of the United Kingdom.

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<sup>4</sup> See <https://race.bitc.org.uk/issues/racecharter>. The commitments ask signatories to 1) Appoint an Executive Sponsor for race; 2) Capture ethnicity data and publicise progress; 3) Commit at Board level to zero tolerance of harassment and bullying; 4) Make clear that supporting equality in the workplace is the responsibility of all leaders and managers; and 5) Take action that supports ethnic minority career progression.