



BANK OF ENGLAND

# Speech

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## **Making impactful change**

Speech given by

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What a wonderful initiative this is to come together to share practical ideas on how to build and sustain a diverse workforce and inclusive working environment across the sector. In preparing to come to talk this morning, I read a number of papers and speeches by policymakers, academics and business leaders about the case for diversity. I am thrilled that I don't need to include any of that this morning because the case has been convincingly made – both for ethical and for commercial reasons. The debate is now about how to make real progress – the “impactful change” of your event here today.

While the imperative to do something is clear and now widely agreed on, and we all know more needs to be done across financial services as a whole and in the London Market itself. I won't repeat the well-known statistics about the current levels of diversity in the sector. The question of what to do is more complicated. We all know there is not one magic solution – if there was, we would hopefully all have done it. Rather a blended approach of initiatives is needed.

I should say that I will mainly be talking this morning in our capacity as a fellow employer involved in the insurance sector. We face the same challenges as you and have been consciously working on our inclusion strategy, bringing together our work on diversity, wellbeing and community, to build an inclusive culture at the Bank where all colleagues can produce their best work. I will share some of what we have been doing – where it is working well and where we are still looking to do more. I hope that during the rest of the morning we will learn more in hearing from you.

I will also briefly cover our role as regulator: why and how we have set expectations around diversity for those firms we regulate.

So, let me start with the foundation for any successful initiatives: Focus.

The first and most obvious thing that is needed is for leaders to make clear that this is an important subject. Make it clear to staff, to management, to external stakeholders.

At the Bank, it is a top strategic priority for the Governor, the executive and our Court of Directors. For us a diverse workforce is fundamental to our public mission, namely to promote the good of the people of the UK by maintaining monetary and financial stability. As a public institution need to better reflect the diversity of the public we serve – both because it's the right thing to do and to help build public trust.

So what have we done to demonstrate our commitment?

- Talking about it publicly at events like this – as recently as last week the Governor spoke on the topic at the Women in Banking and Finance Awards.

- I am delighted to share that the Bank of England will be launching this year's DivelN Festival. Our Deputy Governor Sam Woods and COO Jo Place are inviting 100 insurance CEOs and leaders in the diversity and inclusion field to share experiences and encourage working together as a sector. We will also be hosting two events focussing on LGBT and disability inclusion. Without spoiling the surprise, I can say we have some fantastic guest speakers, so I hope you will join us for those events.
- To achieve broader diversity within our own workforce, the Bank set itself challenging targets in 2014 (and revised them in 2017) as a measure of progress in the whole inclusion agenda. The targets focus on ethnicity and gender, giving a level of transparency and attention and help ensure management accountability:
  - Those targets are for 35% Female senior Management and 50% female representation below senior management by 2020.
  - For BAME representation, we are targeting 20% below senior management by 2020 and 13% BAME Senior Management by 2022.
  - We have made significant progress already. Female representation in senior roles at the Bank has increased from 17% in 2013 to 32% today and is on track for our target of 35% by the end of 2020. BAME representation below senior management is 19%, up from 13% in 2013.
- But we know we have more to do. In particular, we need to do more to improve representation of BAME colleagues in senior management, improving retention and the working environment for BAME colleagues. For that reason we have created a BAME Taskforce, chaired by Deputy Governor Sir Dave Ramsden, with the support of our BAME network and overseen by the Court of Directors.

We have also signed the Women in Finance and Race at Work Charters, which require, amongst others, executive sponsorship, transparency of data, commitment to zero tolerance of harassment and bullying and ensuring accountability for all leaders and managers.

But signalling is not enough. What is it that we have been doing to help drive the improvement against the targets and deliver the inclusive culture which will enable a more diverse workforce to thrive and to be sustainable?

#### Attracting a wider pool of talent

We all need to look further and wider for talent, recruiting from wider pools. Our typical recruitment historically has been through our graduate programme or from more experienced staff in the economics and

financial services professions which have themselves been male and white-dominated. So we need to broaden the pool of people who think of working with us as a possible career. We have taken a number of steps to do this, including:

- Increasing the number of universities from where we higher our graduates. In the most recent round, that was 40 a sixfold increase compared to just 10 years ago.
- This has had a clear impact, with the graduate offers made to the intake which will be starting later this year being the most diverse we have ever hired 46% female and 39% declared BAME.
- This has been helped also by looking at students from a broader range of studies. If students are already selecting out with the subjects they choose, we need to open ourselves to that wider range of subjects and then help them develop the relevant knowledge once they are in work. So in 2015, we launched our Central Banking Qualification, which can take History or French graduates and train them in all aspects of central banking.
- We also have an active school leaver and apprenticeships programmes

As well as taking action now on current recruitment, we can all do our bit to encourage a wider range of young people to consider a career in economics and financial services so that we all have a bigger pipeline of potential talent. At the Bank, we are working on a range of ways to try and influence this:

- We launched our Afro-Caribbean scholarship 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 programme, we have awarded 10 scholarships, 8 bursaries and 16 paid internships.
- We also have an education outreach programme, where we give free classroom materials to schools, run competitions for students and visit schools to explain how the economy works and the role of the Bank of England. In our Insurance area we have recently committed to visiting 100 schools in the next year.

If you look at most firms in the sector, the graduate pools over recent years will have been the most diverse group of staff. That diversity tends to reduce as you look higher up the organisation, as a number of factors. One of those factors is staff leaving the workforce, often to raise a family or for other caring responsibilities. This is a huge range of talent and experience that is lost to the industry. So last year we launched a career returners programme in partnership with Women Returners (though I should say our scheme applies to people of any gender), a specialist return to work organisation. We brought in 16 career returners on a

structured six month programme – of which half were in our Insurance area. 15 of those colleagues have now taken permanent roles within the Bank and we are repeating the programme across more areas of the Bank this year. After having returned to the same organisation after a year on maternity leave, I know how daunting it can be returning after any period out. My confidence certainly took a knock. So it was really inspiring to hear the returners at our launch event talk about how they felt after being out of the working environment for much longer periods. Whatever trepidation they felt, they have made a tremendous impact – bringing both technical skills and experience but also wider professional judgement and skills. I highly recommend it.

### Retention, development and progression

Of course, recruitment is only one element of building a diverse workforce. Staff in the organisation need to want to stay and to be able to progress. This is not just about dealing with promotion processes through balanced interview panels and name-blind recruitment but also encouraging and supporting a more diverse range to be in a position to progress: both in terms of skills and resources and in terms of confidence and comfort in operating at the next level. It needs to be embedded in the way we think about and manage talent.

Having seen it have a positive impact in other organisations, last year we launched a sponsorship programme to support progression into senior management across the Bank. Having started with a focus on BAME and gender, our second group this year includes staff with disabilities. We are learning as we go. Sponsors are looking to help their sponsees identify projects, roles to help build their skills and experiences, access to the right level of discussions and to provide feedback. We have taken the idea of sponsorship and are applying it to staff aiming to move into management roles within the Insurance area. Having seen experiences elsewhere, I am hopeful that this will make a real difference.

### Developing an inclusive culture

Building, retaining and supporting progress amongst a diverse workforce will only be sustainable if all members of staff feel comfortable being themselves, able and willing to offer their own views and opinions. The kind of culture that not only accepts but values differences that people from all backgrounds bring to the workplace.

This is not about – or at least it is not just about – one off, grand gestures. For me, this is the most important take away. It is about regular, consistent practice, in the seemingly small as well as the big things. Building it into internal processes and ways of working, actively encouraging the right behaviours and dealing with the wrong ones. And it takes time to build both habits and trust. We are trying to do this in a whole host of ways but I will pick out three.

- Like a range of organisations, we have asked managers to go on unconscious bias and inclusive recruitment training. As uncomfortable as it may be, we all have to recognise that we come with our own set of biases. For those that haven't tried the tests of the Project Implicit website set up by Harvard, I recommend it. It looks to test your reactions on a range of topics, including race, age and sexuality. I went into it thinking I was pretty fair-minded and aware and was upset that it showed I have differentiated reactions. But I think the key is to be aware of what your biases might be and think how you need to adjust for them.
- One of the things I think we have done well – and I have personally benefitted from – is to encourage flexible working at all levels in the organisation. This includes, job shares, part time working, working from home and getting rid of the notion of core hours for most roles. Our presumption is that all roles can be done flexibly. 14% of colleagues across the Bank have formal part time arrangements – men and women. And contrary I think to many expectations, this is not a barrier to progression: we now have two Executive Directors sharing the head of HR role, 18% of our senior management ranks work part time, 30% in our own local senior management team in Insurance (including me) work part time. This included changing the structure and size of a department to accommodate the working pattern of the Head of Department.
- We are also looking to take opportunities to share stories and our 12 staff networks play a really important role in this, setting up presentations, discussions, workshops for staff to share their experiences. Memorable stories for me included one of our senior advisors explaining how it has felt to be the only black woman in most of the room for the last 30 years and one of our best managers talking about his mental health challenges. And I should say at the Bank are lucky to be able to attract a fantastic range of external speakers to share their life and experiences as part of the importance we place on fostering cognitive diversity. In the recent past, we have heard from Baroness Lawrence, Grayson Perry and Tamara Rojo.

It is important for us to acknowledge that some discussions on diversity and inclusion can be difficult, even when there are good intentions. Both staff and management need support. Some staff might find it difficult to speak up about their concerns or experiences. Managers might worry about saying the wrong thing or can make well-intentioned assumptions, which inadvertently exclude staff. I remember this latter point happening to me after returning from maternity leave, where my then boss told me that he had assumed I wouldn't want to travel so had given a role on an international committee to a colleague. He was trying to be supportive but it had the impact of knocking my confidence, as well as me missing out on an opportunity.

Let me give you a couple of examples of how we are trying to support our colleagues to have these difficult conversations.

- Earlier this year I attended a pilot workshop called “Let’s talk about race” and we are now looking to roll it out for a wider group of Bank management. The aim is to help people feel more comfortable talking about race – from language to cultural norms.
- We are also carrying out a number of listening exercises to actively encourage staff to speak up about their own experiences or fears. While we hope that we are building the kind of culture where staff feel able to directly raise concerns, there are undoubtedly occasions where they do not feel able to and these exercises give them the opportunity to talk to peers or other staff outside line management. We may hear things we don’t like but it is essential to face any problems and to take action on the back of them.

### As a regulator

I said earlier, I would say a few words about our role as a regulator in relation to this topic. The global financial crisis demonstrated perfectly how uniformity is a poor starting point from which to challenge existing practices. The lack of intellectual diversity, including from the lack of gender, race and other diversity, we believe contributed to the severity of the crisis through confirmation bias. Leading policymakers and practitioners have since paid greater attention to the dangers of groupthink. Groupthink arises from a shared network of assumptions which are so deeply held and often rooted on cultural bias. The remedy for groupthink: bring diverse groups together.

As a prudential regulator, the PRA cares particularly about how groupthink impacts the quality of decision-making. The PRA rules focus on promoting diversity of skills and experience of the Board. Since April 2018, the PRA has required insurers to have a policy in place to promote diversity among its Board of Directors and to consider a broad range of qualities and competencies when recruiting new members [we introduced the same requirements for banks in 2014].

I couldn’t speak at event like this in the London Market without talking about the recent concerning reports of sexual harassment and bullying in the press. No one should have to tolerate such actions or work in the kind of environment suggested by these allegations.

What I have just said is I think most people’s human reaction. Given our role as regulator, we also have a professional interest. Such allegations, if proven, where they speak to personal integrity could impact our view of the fitness and properness of individuals in our senior managers regime. We also need all regulated firms to have a culture which allows staff to speak up where they see things going wrong or the potential for things to go wrong which could affect the financial soundness of firms. Clearly the type of culture described

in some of the articles raises into question whether employees would be able to do this. And our colleagues at the FCA have a strong interest in the culture as an indicator as to how firms could treat customers.

We welcome the reaction of Lloyd's leadership and are supportive of their initiatives, including a bullying and harassment hotline, the market-wide culture survey, the use of sanctions – including potential lifetime bans – and new training and initiatives to increase diversity.

We and the FCA will be monitoring progress closely and talking to Lloyd's to see demonstrable progress.

### Conclusion

The reaction to the recent stories is encouraging. We are all rightly under pressure to improve our record on diversity and inclusion. Pressure from society, from shareholders, pressure from employees. Both existing staff and those we hope to hire.

This is genuinely an area we can all learn from others and we should be constantly looking to events like this, to contacts across the industry and beyond and to our colleagues.

The reward for all of us in this is the great people we get by being flexible and inclusive. Our staff surveys show flexible working as second only to belief in our public service mission as positive reasons for working at the Bank. It is in all our interests to attract and develop the broadest possible pool of people across financial services.

Thank you for your time I look forward to hearing about the ideas you are all trying.