



Highlights of [GAO-06-617](#), a report to congressional requesters

# FINANCIAL SERVICES INDUSTRY

## Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993-2004

### Why GAO Did This Study

During a hearing in 2004 on the financial services industry, congressional members and witnesses expressed concern about the industry's lack of workforce diversity, particularly in key management-level positions. Witnesses stated that financial services firms (e.g., banks and securities firms) had not made sufficient progress in recruiting and promoting minority and women candidates for management-level positions. Concerns were also raised about the ability of minority-owned businesses to raise capital (i.e., debt or equity capital).

GAO was asked to provide an overview on the status of diversity in the financial services industry. This report discusses (1) what available data show regarding diversity at the management level in the financial services industry from 1993 through 2004, (2) the types of initiatives that financial firms and related organizations have taken to promote workforce diversity and the challenges involved, and (3) the ability of minority- and women-owned businesses to obtain access to capital in financial markets and initiatives financial institutions have taken to make capital available to these businesses.

GAO makes no recommendations in this report.

[www.gao.gov/cgi-bin/getrpt?GAO-06-617](http://www.gao.gov/cgi-bin/getrpt?GAO-06-617).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Orice M. Williams at (202) 512-5837 or [williamso@gao.gov](mailto:williamso@gao.gov).

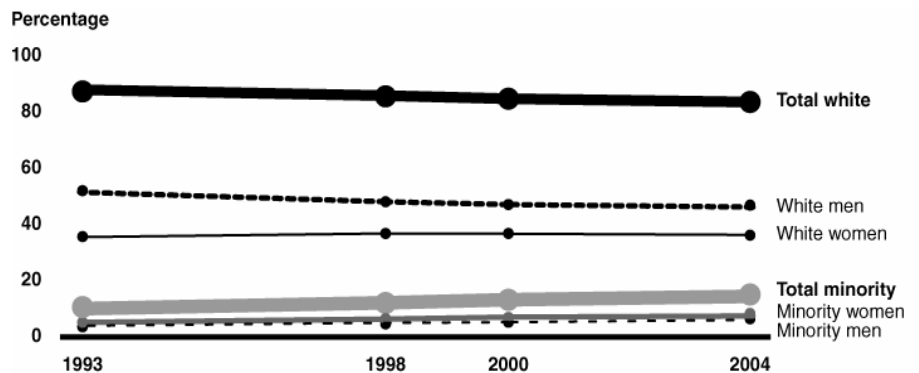
### What GAO Found

Between 1993 through 2004, overall diversity at the management level in the financial services industry did not change substantially, but increases in representation varied by racial/ethnic minority group. During that period, Equal Employment Opportunity Commission (EEOC) data show that management-level representation by minority men and women increased from 11.1 percent to 15.5 percent (see figure below). Specifically, African-Americans increased their representation from 5.6 percent to 6.6 percent, Asians from 2.5 percent to 4.5 percent, Hispanics from 2.8 percent to 4.0 percent, and American Indians from 0.2 percent to 0.3 percent. The EEOC data also show that representation by white women remained constant at slightly more than one-third whereas representation by white men declined from 52.2 percent to 47.2 percent.

Financial services firms and trade groups GAO contacted stated that they have initiated programs to increase workforce diversity, including in management-level positions, but these initiatives face challenges. The programs include developing scholarships and internships, establishing programs to foster employee retention and development, and linking managers' compensation with their performance in promoting a diverse workforce. However, firm officials said that they still face challenges in recruiting and retaining minority candidates. Some officials also said that gaining employees' "buy-in" to diversity programs was a challenge, particularly among middle managers who were often responsible for implementing key aspects of such programs.

Research reports suggest that minority- and women-owned businesses have generally faced difficulties in obtaining access to capital for several reasons such as these businesses may be concentrated in service industries and lack assets to pledge as collateral. Other studies suggest that lenders may discriminate in providing credit, but assessing lending discrimination may be complicated by limited data availability. However, some financial institutions, primarily commercial banks, said that they have developed strategies to serve minority- and women-owned businesses. These strategies include marketing existing financial products specifically to minority and women business owners.

**Workforce Representation in the Financial Services Industry at the Management Level (1993, 1998, 2000, and 2004)**



Source: GAO analysis of EEOC data.