

Written Testimony

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“A Review of Diversity and Inclusion at America’s Large Banks.”

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Chairwoman Beatty, Ranking Member Wagner, and distinguished Members of the Subcommittee, thank you for the opportunity to share the perspectives of the Corporate Diversity and Inclusion Forum (CDIF) regarding the importance of diversity and inclusion performance in the financial services sector.

Throughout the 116th Congress, the House Financial Services Committee has worked to illuminate the correlation between greater diversity and inclusion performance and the long-term economic stability, safety and soundness of the financial services sector. Fact witnesses before the committee have incontrovertibly established the economic benefit of diversity and inclusion performance to the United States’ economy.

The Corporate Diversity and Inclusion Forum works to educate market participants, policymakers and the public regarding the intersectionality of greater diversity and inclusion performance in the sector and the goals of federal, state and local policymakers. We believe greater diversity and inclusion performance enhances profitability and is integral to addressing the persistent wealth gap in diverse urban and rural communities. In fact, McKinsey & Company recently estimated the U.S. economy will see between a \$1 Trillion and \$1.5 Trillion dollar decline in consumption and investment between 2019 and 2028 due to the racial wealth gap yielding a 4 to 6 percent decline of the GDP in 2028¹.

¹ <https://www.mckinsey.com/industries/public-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap>

In recent years, the financial services sector has made significant strides to embrace the evolving demographic shifts in the U.S. workforce and consumer base. Countless financial services firms have integrated diversity and inclusion best practices into their business enterprise. Diversity councils, Employee Resource Groups (ERGs), enhancements to more robust hiring, recruitment and retention policies, the hiring of Chief Diversity Officers (CDOs) and efforts to ensure pay equity are just a few examples of the critical practices being replicated across the sector. While these efforts are laudable, it is reasonable to question whether efforts to realign business practices to more inclusive goals are sustainable and permanent.

The Committee's banking diversity data report rightly highlights key performance improvements among covered institutions such as a broad commitment to achieve pay equity and in some cases linking diversity and inclusion results to performance. Those improvements are tempered by persistent shortcomings enumerated in the analysis such as a muted commitment to supplier diversity and poor representation of women and minorities in senior leadership ranks and on corporate boards of directors.

The report's findings also identify structural challenges the industry faces in broadening the talent acquisition pipeline. The CDIF strongly encourages financial services firms to make a concerted effort to engage diverse colleges and universities in the development of academic curricula which produce talented graduates well-suited to adapt to the rigors of the industry. Further, the industry must endeavor to visit college campuses and promote their goals and values if we are to assuage perceptions that diverse talent is undervalued, unwelcome and marginalized in the sector. These outreach efforts

are further enhanced by embracing STEM education and financial literacy in K through 12 education as well.

While the report's findings represent a current snapshot of large bank performance, it's critically important to recognize the data collection, data aggregation and reporting process were implemented through a collaborative and constructive engagement between the Committee's majority and covered institutions.

Similarly, pursuant to Section 342 of the Dodd-Frank Act, the Directors of the Offices of Minority and Women Inclusion (OMWI) have endeavored to develop an honest, collaborative and transparent engagement with covered entities.² Through a series of roundtables, conferences and forums, the OMWI Directors have engaged market participants across the US and sought strategic advice in the development of the Final Joint Standards which were published in 2015 and are integral to developing a comprehensive assessment of D&I performance.³ Further, the OMWI Directors have taken a constructive approach in the development of a voluntary self-assessment process consistent with key recommendations of the industry such as a self-reporting process outside of prudential examinations and the aggregation of D&I performance data from covered entities.

The US economy has experienced nearly a decade of expansionary growth that has served as a catalyst in the implementation of sound diversity and inclusion best practices. Although our workforce is enjoying near full employment, yet too many diverse urban and rural communities have not benefited fully from the expertise and knowledge of the financial services sector. The great recession of 2008

² Dodd-Frank Wall Street Reform and Consumer Protection Act 12 U.S.C. § 5452 (2010)

³ <https://www.federalregister.gov/documents/2015/06/10/2015-14126/final-interagency-policy-statement-establishing-joint-standards-for-assessing-the-diversity-policies>

yielded higher attrition rates in the sector for women and underrepresented minorities, and my fear is the gains identified in the banking diversity data report will be lost during a future economic downturn. Greater transparency and disclosure will assuage that potential outcome and help to enshrine the ongoing commitment to D&I in the sector. Thanks again for the Committee's consideration and I look forward to answering your questions.