

# Building Diversity in the Finance Industry

## Connecting Minority Populations with Rewarding Careers

Diversity is a critical issue in the functionality, culture, and profitability of businesses in the United States. Several studies have demonstrated correlation of racial, ethnic, and gender diversity with positive financial returns.<sup>1,2,3</sup> For example, a 2015 study of hundreds of firms found a statistically significant correlation between diverse leadership and stronger financial performance.<sup>3</sup> For the finance industry, increasing workforce diversity is a notable challenge. Diversity in finance has improved minimally in recent years, reflecting the need for further improvement, particularly in leadership positions. According to the Government Accountability Office, finance-industry representation by minorities in management positions showed only marginal improvement between 2007 and 2015.<sup>4</sup> Although it has fallen behind other industries in achieving measurable diversity outcomes, many major financial services firms are implementing comprehensive plans to make their staffs more diverse.<sup>5</sup> Increased diversity would benefit both the finance industry and its customers by improving the cultural relevancy of financial products and outreach. Services that better meet the needs and convenience of local communities, also help banks meet their obligation under the Community Reinvestment Act to serve the needs of low- to moderate-income communities.<sup>6</sup>

While there are multiple strategies for boosting workforce diversity, entry-level positions with advancement potential are a logical starting point. Customer service representative positions and other entry-level retail banking jobs can set the stage for lifelong careers in banking, leading to positions ranging from commercial bankers to branch managers, regional managers, loan officers, and more.

### A Model for Entry-Level Access

In recent years, the nonprofit advocacy organization UnidosUS has developed a program that shows a great deal of promise for helping bilingual Latinos and other racial and ethnic minorities prepare for entry-level banking jobs. This program, called Latinos in Finance, provides minority groups with a point of entry into banking careers while offering banks and credit unions a pool of highly qualified entry-level applicants. In 2018, the program mainly served bilingual Latinos but also accepted bilingual candidates in other languages.

The Latinos in Finance model is distinctive in various ways. It was developed in close partnership with one of the country's leading banks and its local branches, and it was implemented by local community-based organizations with strong ties to minority populations and social service organizations. Public Policy Associates, Inc. (PPA) conducted an independent evaluation of the 2018 program year, which was implemented in four states and Washington, D.C.

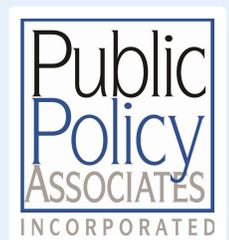
To learn more about building diversity in the finance industry or PPA's work on workforce development issues, contact Nancy McCrohan at [517-485-4477](tel:517-485-4477) or [nmccrohan@publicpolicy.com](mailto:nmccrohan@publicpolicy.com).



A Latinos in Finance graduating class. Photo credit: Association House of Chicago, 2018.

“The professionalism of the people coming out [of Latinos in Finance] in the roles they are prepared for is excellent. ... In addition to that, for us, looking at the community and seeing folks who did not have an opportunity readily available for them to further themselves in their life and their earning capacity, is probably the most significant outcome of this.”

– Latinos in Finance bank partner



## Key Features of the Program

- Latinos in Finance was designed to help banks increase the diversity of their workforce by hiring well-trained, bilingual applicants, and to help program graduates gain access to rewarding positions in an industry for which many would otherwise have struggled to qualify.
- The program followed a curriculum that was developed by UnidosUS in consultation with a bank partner.
- Trainers were allowed flexibility in the timing of training sessions. As a general guideline, UnidosUS recommended that sessions be conducted in cohorts lasting 6 to 8 weeks (part-time), with an average of 10 students per cohort.
- Training providers also had considerable latitude in recruiting participants, hiring facilitators, and identifying guest speakers.
- Local banks participated in many important ways, including providing feedback on the curriculum, acting as guest speakers, conducting mock interviews, and leading worksite visits.

PPA's evaluation was designed to document implementation, identify best practices and challenges, offer recommendations for future implementation, provide initial outcome data where available, and create a baseline for future research. Evaluation activities consisted of document review, student surveys and focus groups, and visits to the five implementation sites.

## References

- 1 Vivian Hunt, Dennis Layton, and Sara Prince, *Diversity Matters* (New York: McKinsey & Company, 2015), retrieved March 4, 2019, <https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/why%20diversity%20matters/diversity%20matters.ashx>.
- 2 Marcus Noland, Tyler Moran, and Barbara Kotschwar, "Is Gender Diversity Profitable? Evidence from a Global Survey," Peterson Institute for International Economics, working paper 16-3, 2016, retrieved March 4, 2019, <https://piie.com/publications/working-papers/gender-diversity-profitable-evidence-global-survey>.
- 3 Vivian Hunt, Sara Prince, Sundiatu Dixon-Fyle, and Larcina Yee, *Delivering through Diversity* (New York: McKinsey & Company, 2018), retrieved March 4, 2019, [https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Organization/Our%20Insights/Delivering%20through%20diversity/Delivering-through-diversity\\_full-report.ashx](https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Organization/Our%20Insights/Delivering%20through%20diversity/Delivering-through-diversity_full-report.ashx).
- 4 United States Government Accountability Office, *Financial Services Industry: Trends in Management Representation of Minorities and Women and Diversity Practices, 2007–2015* (Washington, DC: U.S. Government Accountability Office, November 2017), retrieved February 27, 2019, <https://www.gao.gov/assets/690/688235.pdf>.
- 5 See, e.g., Diversity Best Practices, *Diversity Statistics in the Financial Services Industry (2008-2012)* (New York: Diversity Best Practices, 2012), retrieved March 4, 2019, from [https://www.diversitybestpractices.com/sites/diversitybestpractices.com/files/import/embedded/anchors/files/\\_attachments\\_articles/r-diversityfinservices-sept2012.pdf](https://www.diversitybestpractices.com/sites/diversitybestpractices.com/files/import/embedded/anchors/files/_attachments_articles/r-diversityfinservices-sept2012.pdf).
- 6 Office of the Comptroller of the Currency, *Community Developments Fact Sheet: Community Reinvestment Act* (Washington, DC: U.S. Department of the Treasury, 2014), retrieved March 4, 2019, <https://www.occ.gov/topics/community-affairs/publications/fact-sheets/pub-fact-sheet-cra-reinvestment-act-mar-2014.pdf>.

Evaluation activities were conducted between May 2018 and February 2019.

Short-term outputs from the 2018 program year are promising—and offer a preliminary view of Latinos in Finance's effectiveness. For instance, 78% of the 288 students who enrolled completed the training. Of those who completed training, 53% had obtained jobs (40% in banking/financing and 13% in other sectors) by the end of the program year. These results can be expected to improve over time as the final participants from the program year continue to seek and obtain jobs. In addition, program organizers are using lessons from the program evaluation to improve the job-placement rate in future iterations of the program.

## Implications

PPA offers the following questions and suggestions for workforce agencies, employers, and community-based organizations to consider as they develop programs to build workforce diversity in the finance and other industries:

## Questions to Consider

- What are appropriate benchmarks for job placement in this industry?
- What are the long-term impacts of programs like Latinos in Finance on employee retention and promotion? What are the long-term impacts on corporate productivity and profitability?
- How often are non-English languages used in banking? In what other ways does workforce diversity manifest in banking?

- What other finance industry positions might be appropriate for large-scale training programs with significant involvement from employers and community-based organizations?

## Suggested Practices and Policies

*Show how employers benefit from program involvement.* Employer involvement increases the relevancy of training to better meet their needs. In addition to producing qualified job candidates, extensive employer involvement makes the training somewhat similar to an extended job interview by facilitating direct employer-trainee interaction.

*Leverage national industry leaders.*

Industry leaders can set a proactive agenda to increase diversity, and give local employers incentives to participate in a substantive manner.

*Engage community-based organizations.* To reach a diverse trainee population, engage community-based organizations that offer workforce development services and have a trust relationship with potential trainees. To respond to local needs, give them flexibility to adjust program logistics.

*Use evaluation.* Incorporate rigorous, culturally responsive evaluation to document implementation; identify course corrections; and track short-, medium-, and long-term outcomes.

Public Policy Associates, Inc. partners with the public, private, and nonprofit sectors at the national, state, and local levels. We provide insights to help our clients make better decisions through rigorous, culturally responsive research, evaluation, and strategic consultation.