



Highlights of [GAO-06-843T](#), a testimony before the Subcommittee on Oversight and Investigations, Committee on Financial Services, House of Representatives

### Why GAO Did This Study

A July 2004 congressional hearing raised concerns about the lack of diversity in the financial services industry, particularly in key management positions. Some witnesses noted that these firms (e.g., banks and securities firms) had not made sufficient progress in recruiting minorities and women at the management level. Others raised concerns about the ability of minority-owned businesses to raise debt and equity capital.

At the request of the House Financial Services Committee, GAO was asked to provide a report on overall trends in management-level diversity and diversity initiatives from 1993 through 2004. This testimony discusses that report and focuses on (1) what the available data show about diversity at the management level, (2) the types of initiatives that the financial services industry has taken to promote workforce diversity and the challenges involved, and (3) the ability of minority- and women-owned businesses to obtain capital and initiatives financial institutions have taken to make capital available to these businesses.

For our analysis, we analyzed data from the Equal Employment Opportunity Commission (EEOC); reviewed select studies; and interviewed officials from financial services firms, trade organizations, and federal agencies.

GAO makes no recommendations at this time.

[www.gao.gov/cgi-bin/getrpt?GAO-06-843T](http://www.gao.gov/cgi-bin/getrpt?GAO-06-843T).

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).

## FINANCIAL SERVICES INDUSTRY

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

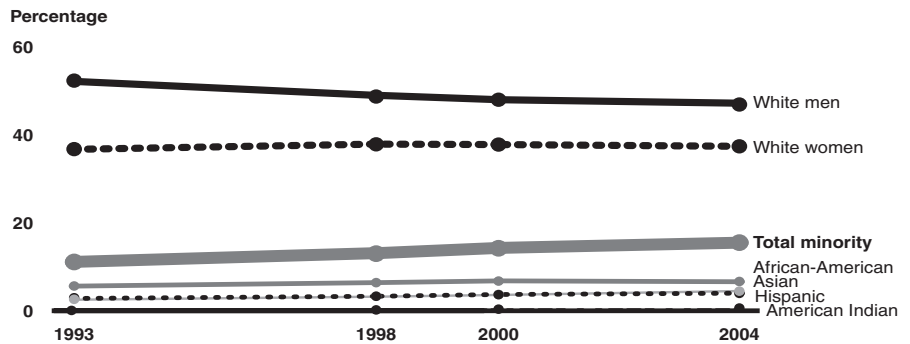
#### What GAO Found

From 1993 through 2004, overall diversity at the management level in the financial services industry did not change substantially, but some racial/ethnic minority groups experienced more change in representation than others. EEOC data show that management-level representation by minority women and men overall increased from 11.1 percent to 15.5 percent (see fig. 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.

Financial services firms and trade groups have initiated programs to increase workforce diversity, but these initiatives face challenges. The programs include developing scholarships and internships, partnering with groups that represent minority professionals, and linking managers' compensation with their performance in promoting a diverse workforce. Some firms have developed indicators to measure progress in achieving workforce diversity. Industry officials said that among the challenges these initiatives face are recruiting and retaining minority candidates, as well as gaining the "buy-in" of key employees, such as the middle managers who are often responsible for implementing such programs.

Research reports suggest that minority- and women-owned businesses have difficulty obtaining access to capital for several reasons, such as that these businesses may be concentrated in service industries and lack assets to pledge as collateral. Some studies suggest that lenders may discriminate, but proving such an allegation is complicated by the lack of available data. 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 by Racial/Ethnic Group and Gender (1993, 1998, 2000, and 2004)**



Source: GAO analysis of EEOC data.