

## House Financial Services Committee Subcommittee on Diversity and Inclusion Hearing titled “An Overview of Diversity Trends in the Financial Services Industry”

On Wednesday, February 27, 2019, the House Financial Services Committee Subcommittee on Diversity and Inclusion hearing titled “An Overview of Diversity Trends in the Financial Services Industry.” The hearing featured testimony from Daniel Garcia-Diaz, Director, Financial Markets and Community Investment, at the U.S. Government Accountability Office.

### Opening Statements

As **Chairwoman Joyce Beatty (D-OH)** welcomed committee members to the newly formed subcommittee, she referenced her personal interest in the area as her professional career included advising companies and government on increasing diversity in their workforces.

**Ranking Member Ann Wagner (R-MO)** shared her interest in examining how best to promote diversity and inclusion, citing strides have been made in the financial services industry but there is more work to be done. Specifically, she recognized the recruitment and retention challenges faced by financial services companies.

**Full Committee Ranking Member Patrick McHenry (R-NC)** expressed his support for the creation of the new subcommittee. **Chairwoman Maxine Waters (D-CA)** also welcomed the committee, stating that no one could do a better job on this topic than Subcommittee Chairwoman Beatty.

### Testimony

**Mr. Garcia-Diaz** summarized the Government Accountability Office’s Nov 2017 GAO [report](#) on diversity in the financial services industry. In particular, the report found little if no improvement in the numbers of women and minorities in senior management roles from 2007 to 2015. He also shared the GAO’s recent analysis of 2017 EEOC data finding there were no significant changes since the release of the 2017 report.

### Key Takeaways

- Through the question and answer session, it was clear members desire additional data on diversity in the financial services workforce.
- Chairwoman Waters and others directed attention to creating incentives for diversity, such as tying bonuses to diversity efforts.
- There was considerable repetition around the theme of recruitment, but the GAO study is limited in its examination of the issue. It is reasonable to assume the subcommittee will seek further data on this topic, but absent this information, the scene seems ripe for a company level review of recruitment programs.

### Question and Answer

In response to a question from **Chairwoman Beatty**, Mr. Garcia-Diaz commented that diversity can have positive effects on product innovation and idea generation as well as job satisfaction; however, it can be more difficult to prove causation related to financial performance.

**Ranking Member Wagner** inquired how GAO defined diversity to which Mr. Diaz shared that their report focused on gender and minority status because the data was available. He noted that diversity should also include veteran status and age. Ranking Member Wagner also offered that there are carrot and stick approaches to creating diverse workforces and inquired why current incentives don't appear to be working. Mr. Garcia-Diaz responded that companies need to recognize the tangible benefits of diversity, and as their workforces become more diverse they will further attract diverse candidates. He also noted that mentorship and outreach to communities can help advance recruitment.

**Rep. Al Green (D-TX)** used his question time to emphasize that a company's culture on diversity is driven by its leadership, suggesting bonuses should be tied to diversity efforts.

**Rep. Anthony Gonzalez (R-OH)** expressed his support for the subcommittee and the approach of gathering the data first. He specifically noted the diversity efforts of Key Bank and Huntington Bank. Rep. Gonzalez inquired if there are bright spots to be modeled after, to which Mr. Garcia-Diaz responded there is dramatic variance across states and an examination of leading states could be helpful.

**Chairwoman Waters** highlighted the importance of recruitment and Mr. Garcia-Diaz encouraged companies reach out to schools and communities to raise awareness about financial services. Chairwoman Waters asked what incentives could be offered to increase diversity. Mr. Garcia-Diaz noted that leadership could put in place incentives for middle managers to hire diverse candidates, such a bonuses, annual reviews, and reporting.

**Rep. Bryan Stiel (R-WI)** inquired about the differences in results among financial services sectors. Mr. Garcia-Diaz commented additional studies are needed to uncover the differences, including the numbers around different occupations within these sectors, suggesting women may have greater representation in non-business line occupations.

**Rep. Sylvia Garcia (D-TX)** probed about the GAO's knowledge around minority consumer access to the financial services industry.

**Rep. Alexander Mooney (R-WV)** highlighted the importance of inclusion in company success in diversity efforts and inquired about what is working well. Mr. Garcia-Diaz responded that the sharing of best practices and internal assessments are critical.

**Rep. Lacy Clay (R-MO)** called for the "Rooney rule," which requires minorities to be interviewed, to be renamed the "Beatty-Wagner rule" to describe true diversity efforts beyond "window-dressing."

**Rep. Al Lawson (D-FL)** identified retention as an issue for minorities due to lack of internal support and Mr. Garcia-Diaz called on companies to be self-aware.

**Rep. Madeleine Dean (D-PA)** discussed the importance of mentorship.