Financial Services Practice

Closing the gender and race gaps in North American financial services

An updated view into gender and racial diversity in financial services—as well as women's day-to-day work experiences—reveals some progress. But challenges in building an equitable and inclusive workplace persist.

This article is a collaborative effort by Kweilin Ellingrud, Alexis Krivkovich, Marie-Claude Nadeau, and Jill Zucker, representing views from McKinsey's Financial Services Practice.

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At the beginning of 2021, women in North America remained dramatically underrepresented in the financial-services workforce—particularly at the level of senior management and above. A new industry-specific analysis of data from the latest Women in the Workplace report, a McKinsey collaboration with LeanIn.Org, reveals a leaky pipeline from which women are falling out in greater numbers as they progress up the career ladder, resulting in significant inequality at the top. Consistent with previous years, women in financial services continue to experience a "broken rung" at the first step from entry level to manager—where they are significantly less likely than men to be promoted (for more about our research, see sidebar "About the research and findings"). At the same time, women leaders have taken on the additional responsibilities of supporting employees and investing in diversity and inclusion during the COVID-19 pandemic—but they aren't being rewarded for this critical work.

As demands continue to escalate, it is no surprise that women in financial services are more likely than men to report feeling burned out. Yet women do not always feel that they can request the support they need, including the flexibility to work remotely. As financial-services firms plan for a return to the office, they need to do more to create an equal and inclusive workplace where all women of all backgrounds feel supported, valued, and recognized for the full extent of their contributions.

A leaky pipeline for women—especially women of color

At the beginning of 2021, the representation of women and women of color in the financial-services workforce had increased across all ranks above entry level, compared with 2018.[1] While women have a slight edge at the entry level (comprising 52 percent of the industry workforce), their representation falls off at every step of the corporate pipeline. This slide is particularly steep for women of color (Black, Latina, Asian[2]): from entry level to the C-suite, the representation of women of color falls by 80 percent.

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1 Stacey Chin, Alexis Krivkovich, and Marie-Claude Nadeau, "Closing the gap: Leadership perspectives on promoting women in financial services," September 6, 2018, McKinsey.com.
2 "Asian women" refers to women who self-identify as East Asian, South Asian, or Southeast Asian.

About the research and findings

For the past seven years, McKinsey and LeanIn.Org have tracked the progress of women in corporate America. The latest Women in the Workplace report,[1] released in September 2021, is based on data from 423 employers across the United States and Canada as well as a survey of more than 65,000 people from 88 companies. All data were collected between May and August of 2021.

To learn more about the financial-services sector specifically, we carved out the employer data of 27 asset-management companies (excluding private equity), 25 banking and consumer-finance companies, ten insurers, and nine payments companies, which collectively employ over 500,000 employees. We also isolated 8,470 survey responses from employees in the financial sector.[2]

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1 Tiffany Burns, Jess Huang, Alexis Krivkovich, Ishanaa Rambachan, Tijana Trkulja, and Lareina Yee, *Women in the Workplace 2021*, LeanIn.Org and McKinsey, September 2021, McKinsey.com.
2 Industry-specific *n* sizes may differ from the Women in the Workplace report because of differences in groupings for analysis.

The highest levels of corporate leadership are still dominated by men, though women have made notable gains in the past three years. During that time, the share of women grew by 40 percent at the senior-vice-president (SVP) level and 50 percent at the C-suite level—though this increase is off a low starting point. Despite progress, 64 percent of financial-services C-suite executives are still White men, and 23 percent are White women—leaving just 9 percent of C-suite positions held by men of color and 4 percent by women of color (Exhibit 1).

Gender and racial diversity look different by industry

The representation of women and women of color varies across the different industries that make up the financial-services workforce: asset management, banking, insurance, and payments (Exhibit 2).

Asset management. The asset-management industry lags behind financial services in the representation of women across most levels.[3] Of particular concern is that the representation of women of color has not meaningfully changed since 2018—and has actually gone down at critical levels of the pipeline. For example, the share of women of color in entry-level roles has decreased slightly in the past three years.

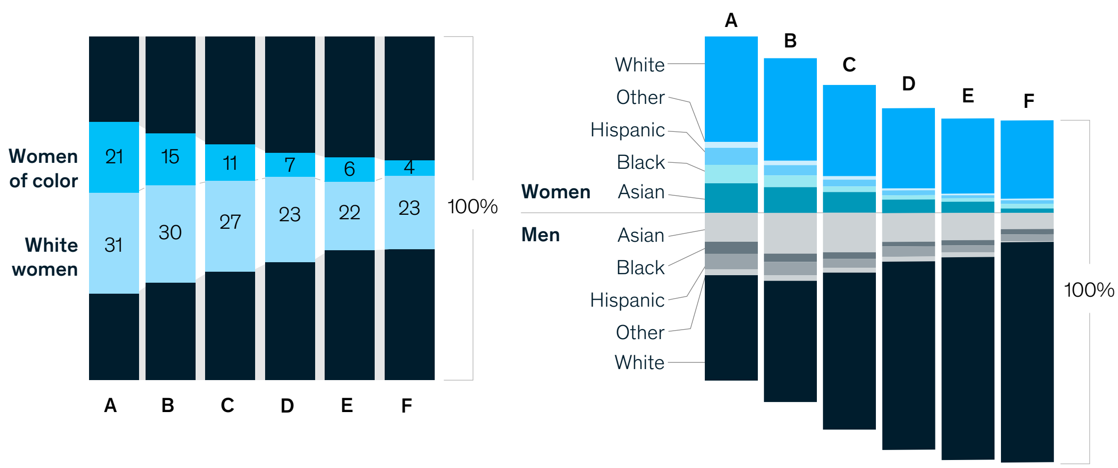
Banking. Gender diversity in banking reflects the reality in financial services overall, with an even split between men and women at entry level that declines with each rung up the ladder. Women make up 53 percent of the entry-level banking workforce but less than one-third at the SVP and C-suite levels. Notably, nearly one in four employees at the entry level is a woman of color, though this falls to one in 20 at the C-suite level—on par with both the financial-services and cross-industry average.

Exhibit 1

Women, particularly women of color, continue to be underrepresented in financial-services roles above entry level.

Financial-services representation by corporate role, by gender and race at the start of 2021, % of employees

A = Entry level B = Manager C = Senior manager D = Vice president E = Senior vice president F = C-suite



Source: Analysis of 71 financial-services employers that participated in *Women in the Workplace 2021*, LeanIn.Org and McKinsey, 2021

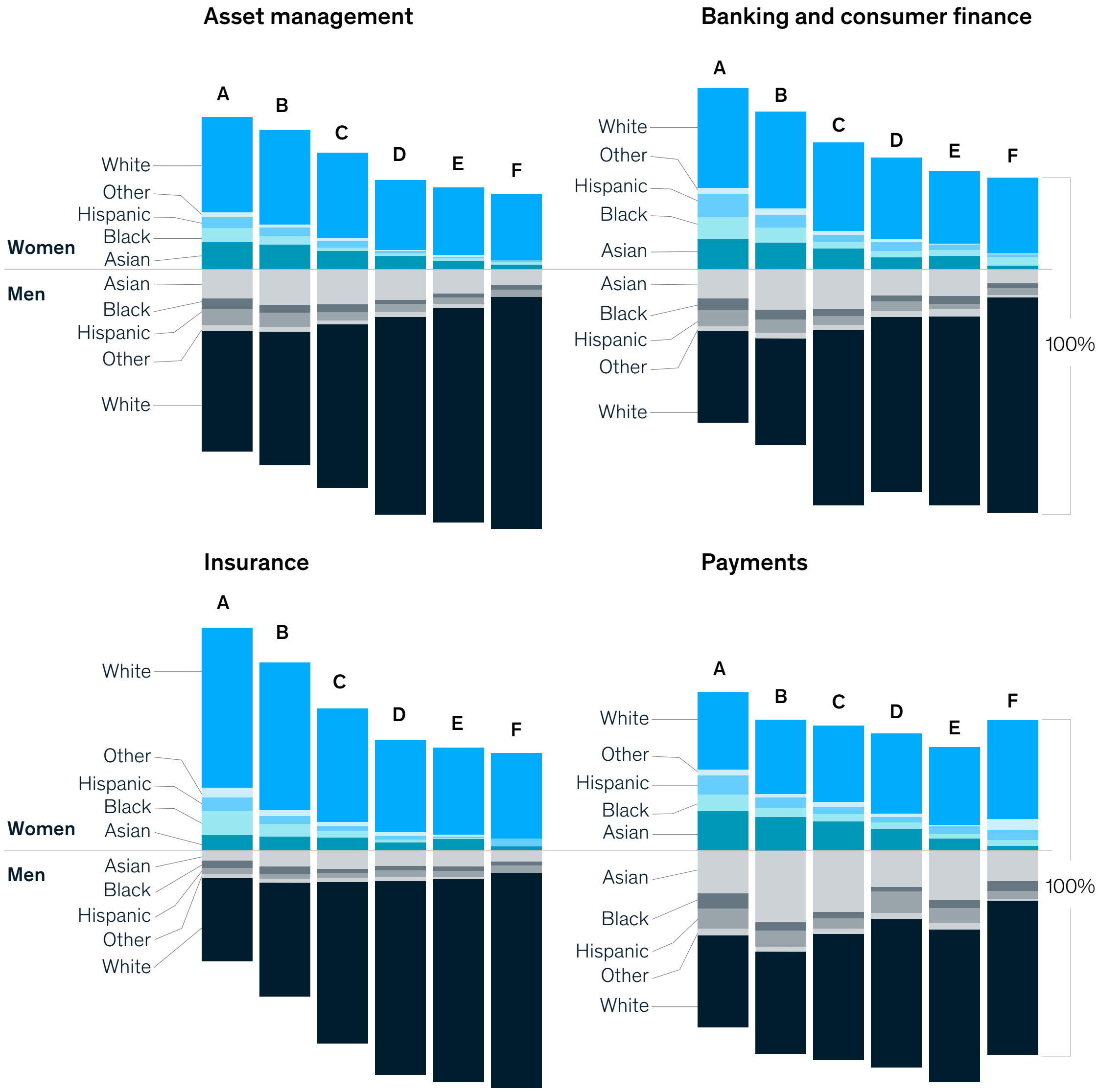
[3] Our analysis of asset management excludes private-equity companies.

Exhibit 2

Asset management lags behind other financial-services industries in representation of women.

Representation by corporate role, by gender and race at the start of 2021, % of employees

A = Entry level B = Manager C = Senior manager D = Vice president E = Senior vice president F = C-suite



Source: Analysis of 71 financial-services employers that participated in *Women in the Workplace 2021*, LeanIn.Org and McKinsey, 2021

Insurance. Insurance continues to lead in gender diversity within the entry-level workforce, where 66 percent are women—though these women are predominantly White. The high share of women at entry level is mostly due to the larger, more diverse workforces of call centers and field-claims organizations employed by the insurance industry. Black women comprise more than 7 percent of the entry-level workforce—the highest among financial-services industries. However, this number drops precipitously along the corporate ladder and falls to zero at the C-suite.

Payments. Within the payments industry, gender diversity varies significantly by job level. Payments has the lowest share of women in the entry-level, manager, and senior-manager ranks, but among the financial-services industry, it is the closest to gender parity in the C-suite (where 39 percent are women). Women of color make up 9 percent of the C-suite in the payments industry—the highest representation among all financial-services industries.

Intersectional differences within the 'broken rung'

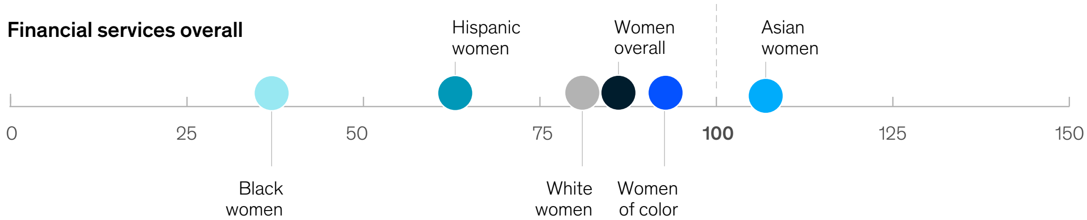
As in many other industries, women in financial services continue to experience a broken rung at the first step from entry level to manager—where they are significantly less likely than men to be promoted. That results in a long-term negative impact on women's ability to progress through the talent pipeline. When women are not getting promoted at the junior levels of the pipeline, it is challenging to equalize gender diversity at more senior levels—the gap is simply too large to catch up.

Within financial services, only 86 women are promoted to manager for every 100 men, which is on par with the cross-industry Women in the Workplace findings.[4] In 2020, women of color were promoted at even higher rates than women overall: 93 women of color were promoted for every 100 men. While this is an encouraging sign of progress, a closer look reveals granular and marked differences between the experiences of Asian, Black, and Hispanic women across financial-services industries (Exhibit 3).

Exhibit 3

The 'broken rung' promotion from entry level to manager persists across financial services, with notable differences among women of color.

Number of women promoted to manager for every 100 men promoted, 2020



Source: Analysis of 71 financial-services employers that participated in *Women in the Workplace 2021*, LeanIn.Org and McKinsey, 2021

[4] Tiffany Burns, Jess Huang, Alexis Krivkovich, Ishanaa Rambachan, Tijana Trkulja, and Lareina Yee, *Women in the Workplace 2021*, LeanIn.Org and McKinsey, September 2021, McKinsey.com.

Women in financial services reported more support in the past year

Financial-services companies helped many employees weather the COVID-19 pandemic—seemingly at higher rates than corporate America overall. While 47 percent of women surveyed for the 2021 edition of the Women in the Workplace study reported receiving increased support in the past year, 59 percent of women in financial services reported the same. And about 28 percent of women overall reported additional holidays or paid time off, compared with 42 percent of women in financial services. This is partly because the financial-services industry was well-positioned to transition to remote work and was able to avoid the worst of the economic fallout from the pandemic.

These differences and others could help explain why women in financial services are slightly less likely to consider leaving their company; 28 percent said they would consider it, compared with 33 percent of women overall.

Demands on women continue to escalate—but recognition doesn't

As the pandemic has stretched on, women's outsize contribution to taking care of homes and families—often while maintaining their careers—has continued to grow. Senior-level women are 57 percent more likely than senior-level men to have a spouse who works full time. Of those who live with a spouse, senior-level women in financial services are seven and a half times more likely than their male peers to say they are responsible for all or most of household responsibilities. This figure has jumped significantly since 2018, when it was four times more likely (for more, see sidebar "Women in dual-career households").

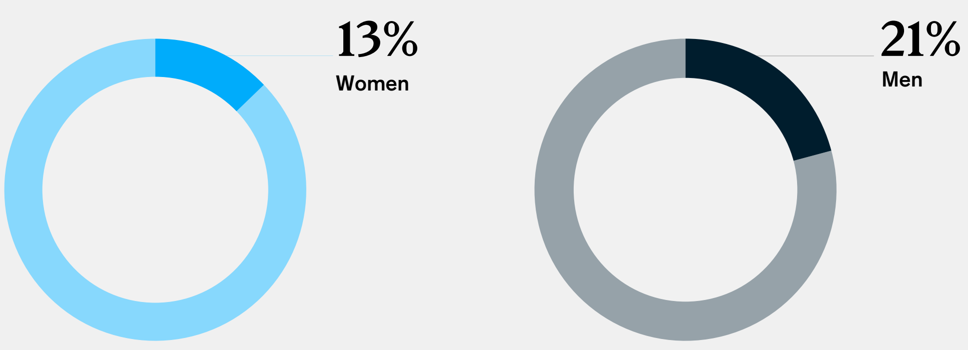
Women in dual-career households

Women in financial services are more likely than men to be in a dual-career household. According to the survey, 62 percent of men are in a dual-career household, compared with 81 percent of women. Furthermore, women are much less likely than men to say that their career takes priority over their partner's career (exhibit).

Exhibit

Women are more likely to prioritize their partner's career over their own.

Financial-services employees who say their career is consistently a higher priority than their partner's career, % of respondents



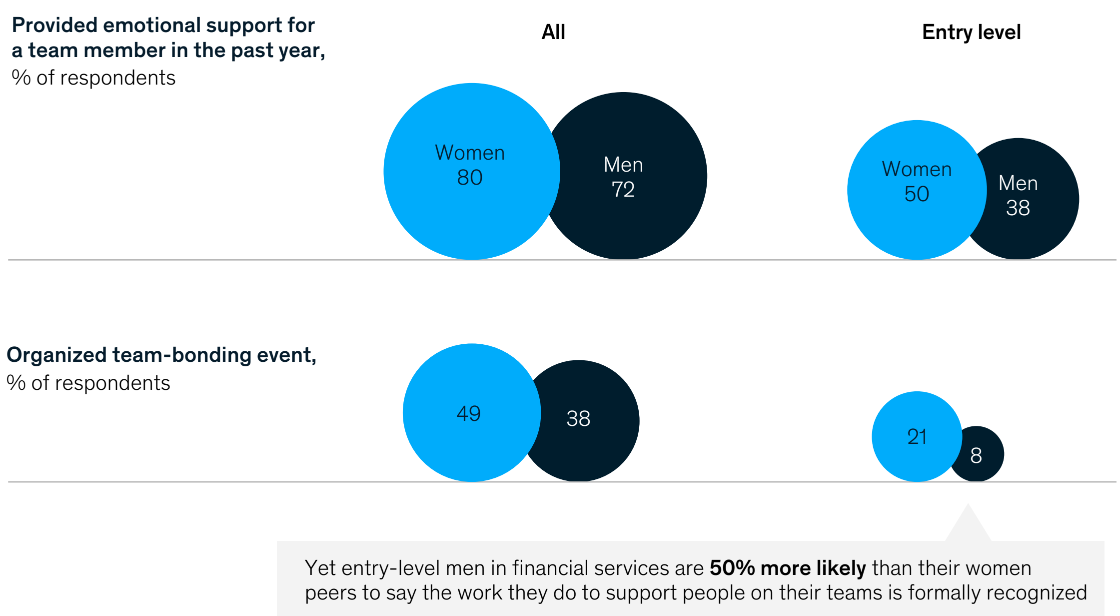
Source: Analysis of 71 financial-services employers that participated in *Women in the Workplace 2021*, LeanIn.Org and McKinsey, 2021

In addition to these home-based responsibilities, women are also stepping up in the workplace and setting a new standard for leadership. Across industries, women leaders are more active champions of diversity, equity, and inclusion (DE&I) initiatives than their male peers. In financial services, senior-level women in particular are much more likely to feel a personal responsibility to promote DE&I, which usually falls outside formal job responsibilities—increasing their invisible workload without increasing recognition.

Women in financial services are also doing more than their male peers to support their teams, especially in manager and entry-level roles. Eighty percent of women in financial services reported consistently providing emotional support for a team member in the past year, compared with 72 percent of men. Women managers in financial services are also slightly more likely than their male peers to say they set clear work-availability boundaries, ensure employees' workloads are reasonable, and organize team-bonding events. Employees recognize this difference. Financial-services employees with women managers are 50 percent more likely to say their manager provided emotional support and 25 percent more likely to report that their manager has helped them navigate work–life challenges (Exhibit 4).

Exhibit 4

Women in financial services are more likely than men to provide emotional support to colleagues—regardless of seniority.



Source: Analysis of 71 financial-services employers that participated in *Women in the Workplace 2021*, LeanIn.Org and McKinsey, 2021

This supportive leadership is also modeled by entry-level women in financial services. Half of these women said they provided emotional support for a team member in the past year, while 38 percent of their male colleagues said the same. Entry-level women in financial services are also 2.6 times more likely than their male peers to organize team-bonding events. And yet entry-level men are 67 percent more likely than their women peers to say the work they do to support the people on their teams is formally recognized. In many ways, this emotional support has provided the connective tissue that has been so critical during the upheaval of the pandemic. When managers support employee well-being, employees report feeling happier, less burned out, and less likely to consider leaving their company.[5]

In addition, more than half of women in financial services (53 percent) reported experiencing at least one microaggression (such as being interrupted or having their judgment questioned) over the past year. This is slightly lower than women in corporate America overall (58 percent) but still high. And in both corporate America overall and financial services specifically, women of color are more likely to experience microaggressions. These experiences can have a profoundly negative impact on an employee's motivation, job satisfaction, stress level, and desire to stay at a company.

Indeed, the survey confirmed what many expect: all employees are more burned out this year. In financial services, this is especially pronounced at the senior level, with 48 percent of senior-level women having reported being burned out, compared with 41 percent of senior-level men. However, burnout is not only at the senior level; almost three in ten entry-level women in financial services say they are burned out often or almost always.

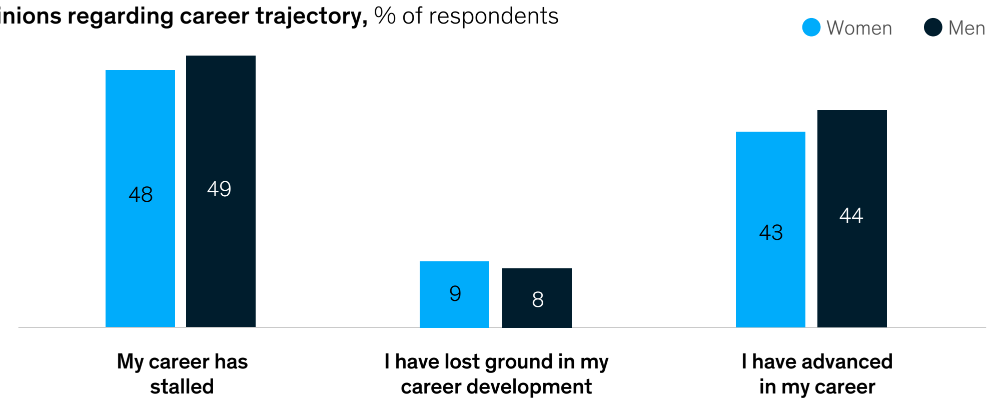
What do women need in the return to work?

Simply put, women need two elements for a successful return to work: flexibility and managerial support. Women want to continue to work remotely after the pandemic, and they don't feel like remote work has caused them to miss out. Forty-five percent of women in financial services say they want to continue to work remotely,[6] compared with 36 percent of men in finance. When it comes to the broader effect on their career of working remotely, both men and women in financial services generally agree on the extent to which their careers have stalled, lost ground, or advanced over the past year (Exhibit 5).

Exhibit 5

Women and men in financial services share similar opinions about their career trajectories over the past year.

Opinions regarding career trajectory, % of respondents



Source: Analysis of 71 financial-services employers that participated in *Women in the Workplace 2021*, LeanIn.Org and McKinsey, 2021

[5] *Women in the Workplace 2021*, September 2021.
[6] Defined as working remotely 91 to 100 percent of the time.

However, women report feeling less able to request remote work when needed. Men in financial services are 76 percent more likely than their women colleagues to say they have the flexibility to work remotely, and women are more than two times as likely to say they have almost no flexibility to work remotely (Exhibit 6). And 29 percent of men say it's not a big deal to request opportunities in work flexibility, compared with 19 percent of women—likely because women report being more likely to feel like a burden or to worry about the request hurting their career.

Of course, a hybrid working model isn't a silver bullet. Even though women managers are recognized as more supportive than male managers, women aren't getting that support in return. Managerial support is a crucial, high-stakes priority for improving women's experiences in the financial-services workforce.

The importance of flexible working arrangements and supportive managers will be key: almost one in four women in financial services say that offering more flexible hours and ensuring managers were supportive of employees could have helped avoid attrition or downshifting.

Taking action

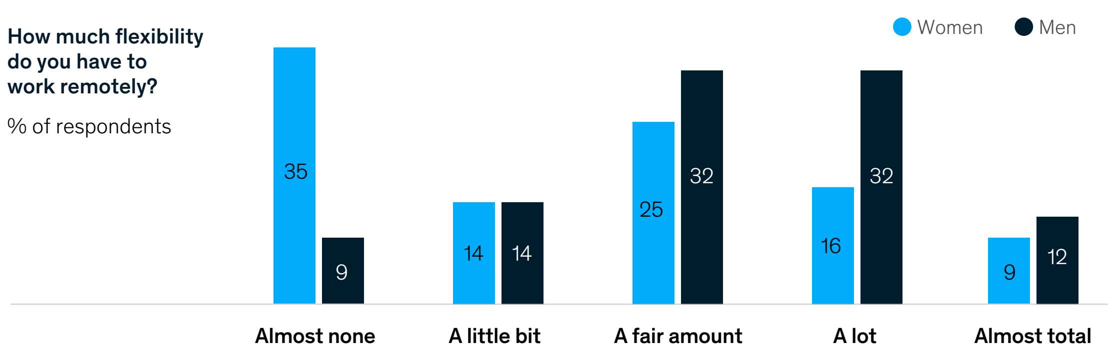
It is clear that financial-services companies need to do more to address the disproportionate effects of the pandemic on women and pave the way for a more equal and inclusive workplace. Specifically, companies can focus on four priorities.

Fix the broken rung

Achieving gender diversity across the pipeline will require financial-services companies to address the unequal promotion rates from entry level to manager—the broken rung. One direct solution is maintaining gender balance in promotion slates. The broader Women in the Workplace survey revealed that while a majority of companies require diverse slates of similarly qualified candidates in their hiring processes, only 23 percent of companies apply those same policies to their performance reviews.[7] By doing so, companies can hold themselves accountable to progress on diversity—across both gender and race—at the manager level and above.

Exhibit 6

Women in financial services report less flexibility to work remotely compared with men.



Note: Figures do not sum to 100%, because of rounding.
Source: Analysis of 71 financial-services employers that participated in *Women in the Workplace 2021*, LeanIn.Org and McKinsey, 2021

[7] *Women in the Workplace 2021*, September 2021.

Furthermore, financial-services companies should investigate their performance-review and promotion processes for areas where conscious or unconscious bias may limit the advancement opportunities of women and women of color. This means evaluating employees based on outcomes instead of subjective inputs and ensuring that employees—and especially women—are not penalized for taking advantage of flexible work options.

Create a flexible and supportive culture
Of course, improving gender and racial diversity is only part of the broader DE&I mandate. Leaders—both men and women—of financial-services companies also need to purposefully foster an inclusive culture where women of all backgrounds feel that their managers respect and support their needs.

Women in financial services are more likely to want flexibility in their work arrangements but less likely to feel comfortable asking for it. Companies can lower the barriers by spotlighting senior leaders, particularly women, who take advantage of the flexible work options that the company offers to all employees. Leaders should set clear expectations around remote work and provide specific examples to illustrate accepted working norms. And because women often look to their managers to interpret formal and informal company policies, it is particularly important for managers to respect company-wide boundaries around flexible and remote work—and to role model these values themselves.

Grow and reward caring people leaders
Women in financial services do more to take care of their teams, yet they receive less support from their managers compared with men. Companies should take steps to educate and train managers on how to provide emotional support for their colleagues (for example, setting regular check-ins and creating space for honest conversations around well-being). Requiring participation or providing incentives to attend these training programs can help to encourage widespread adoption. The responsibility of managers to support employee well-being should be formalized in performance-evaluation criteria that explicitly reward caring people leadership. This would also ensure that managers who already carry much of this “invisible” workload—mostly women—are recognized for their contributions.

Actively monitor and solve for burnout
To combat higher levels of burnout among women, financial-services companies could train managers and employees on how to notice and intervene when team members are at risk of burning out. Managers should play an active role in encouraging employees to set boundaries (especially in remote or hybrid environments) and reduce the expectation of being “always on.” The responsibility falls not only on direct managers but also on the entire company to provide adequate mental-health resources to employees and nurture a culture where everyone is willing to raise their hands and acknowledge burnout when it occurs.

The financial-services industry has made some progress in closing the gender and race gaps, but there is still a long way to go. As financial-services firms reimagine the future of the workplace, this moment calls for bold action to improve gender and racial diversity across the talent pipeline and create an inclusive culture where all women, and all employees, feel like they belong.

Kweilin Ellingrud is a senior partner in McKinsey’s Minneapolis office; **Alexis Krivkovich** is a senior partner in the San Francisco office, where **Marie-Claude Nadeau** is a partner; and **Jill Zucker** is a senior partner in the New York office.

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