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Women can work here but can't grow here

Diversity and automation in the US financial
services industry

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Diversity and automation in the US financial services industry

The finance industry already had a reputation for having one of the poorest working cultures for diverse workers. Now, the COVID-19 crisis has undone years of progress. Automation and other emerging technologies threaten to tip the scales even further in the wrong direction. How can the industry get back on track?

The workforce in the financial services sector is undergoing a significant transformation. As one of the earliest adopters of technology, the face of the industry has often been an early indicator of the types of transformations that will occur in other industries. For example, over the past decade, the presence of physical branches for banks has decreased by 20 percent in the US¹, and new technologies are poised to automate many tasks that have previously been performed by human workers. The COVID-19 pandemic has accelerated the adoption of these technologies. Within the next ten years there is likely to be an unprecedented reduction in available jobs in the industry.

Faethm's predictive analysis shows that these job losses will disproportionately affect women and people of color. This is not because members of these groups are any less capable of adapting to new technologies than their White male counterparts. Rather it is because women and people of color currently occupy the positions most likely to be eliminated by automation. This effect is compounded by the mass exodus of women from the workforce, or the 'she-cession' as it has been called, due to the COVID-19 pandemic. Responsible industry leaders must act now to prepare for these changes in order to maintain a diverse and inclusive workforce.

The following analysis leverages data from multiple US government survey data sources (detailed in appendix) and Faethm's proprietary analytics engine to demonstrate current state and projected impact across these diverse communities in the US.



How did we get here?

Decades of discrimination have contributed to the current state of gender parity in the financial industry.

Analysis by Deloitte in 2019 indicates that women account for only 22 percent of leadership roles in the industry. That number has been increasing since 2013, but not quickly enough. A McKinsey analysis from late 2021 shows that this is partially due to the 'broken rung' of women, especially women of color, being promoted from entry-level to manager at much lower numbers than their male counterparts. Women and men enter the industry at roughly the same rate, but women are 24 percent less likely than men to attain their first promotionⁱⁱ, despite requesting promotions at similar rates. At the current rate of growth, the industry will not reach gender parity in leadership roles until 2085.ⁱⁱⁱ

Support from managers is a key factor in career advancement in finance, but that support is missing for many entry-level women. According to McKinsey, while 49 percent of men stated that a manager provided them with advice to help them advance, only 40 percent of women reported the same. Similarly, 40 percent of men stated that a senior manager advocated on their behalf for a specific opportunity for advancement, while only 35 percent of women received that type of support.

A lack of women in leadership roles can lead younger women to assume those roles are unattainable. Only 26 percent of women in entry-level finance jobs aim to achieve the highest levels of leadership, while 40 percent of their male colleagues have this goal. "The lack of women in C-suite positions is a self-perpetuating cycle," says Deanna Strable, executive vice president and CFO at Principal Financial Services. "Because we don't have many females in the C-suite, young women don't see role models or potential paths towards executive-level leadership and are more likely to deselect themselves out of higher-level leadership roles."

Gender bias continues to create barriers for women seeking leadership roles. However, prior to the pandemic, many metrics indicated that the tides were starting to shift. In the two decades before 2020, women in leadership positions in the finance sector rose slowly but steadily from 16 percent to 22 percent. The industry was starting to respond to pressure, both from government agencies demanding the disclosure of diversity metrics and from an increasingly female customer base.



Two Steps Back: The pandemic effect

The impact of the COVID-19 pandemic is still evolving, but the results so far have been disastrous for working women. A survey from Accenture found that 29 percent of women in the financial sector left their positions either temporarily or permanently during the pandemic^{iv}. As executives push for an end to remote work in favor of a return to the office, it is likely that women will face more hard choices.

In April of 2021, JP Morgan Chase became the first major bank to demand that workers return to the office. Others are expected to follow suit. Around 80 percent of North American Financial Services executives surveyed stated that they would prefer employees to spend four to five days in the office.

According to Accenture, the most important attribute that companies can offer to retain women in their positions is flexibility in the work schedule. A recent survey by McKinsey indicated that women in the finance industry report less flexibility at work than men do^v. Faethm analysis indicates that there is no significant difference between the roles women and men occupy in terms of their compatibility with a remote work setting.



Images 1 and 2 below show the roles occupied by men and women in terms of both remotability and interactivity, two metrics that were crucial in determining if a worker was at significant risk of contracting the COVID-19 virus while at work.

Image 1. Remotability and Interactivity of Roles Occupied by Men in the Finance Industry

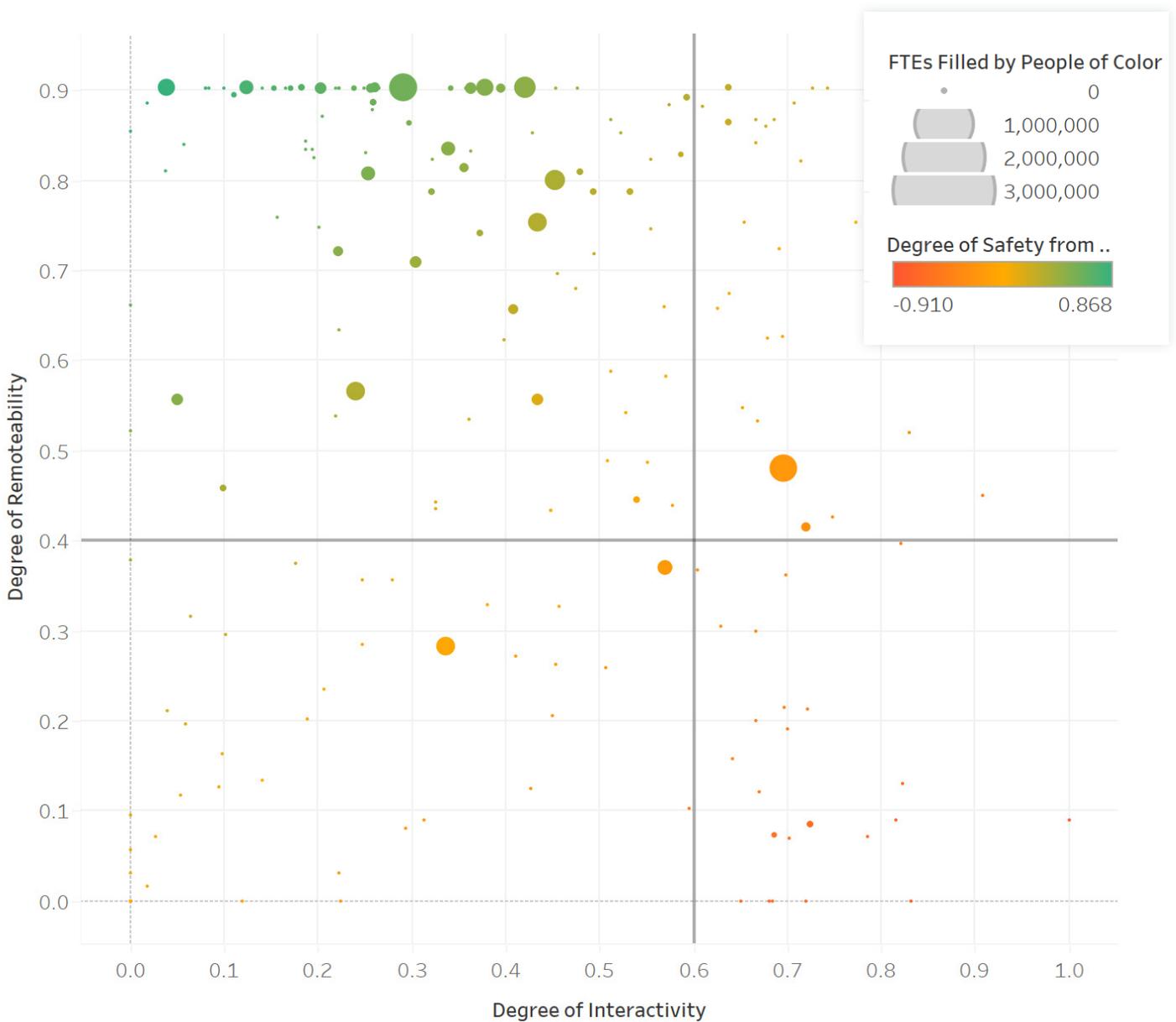
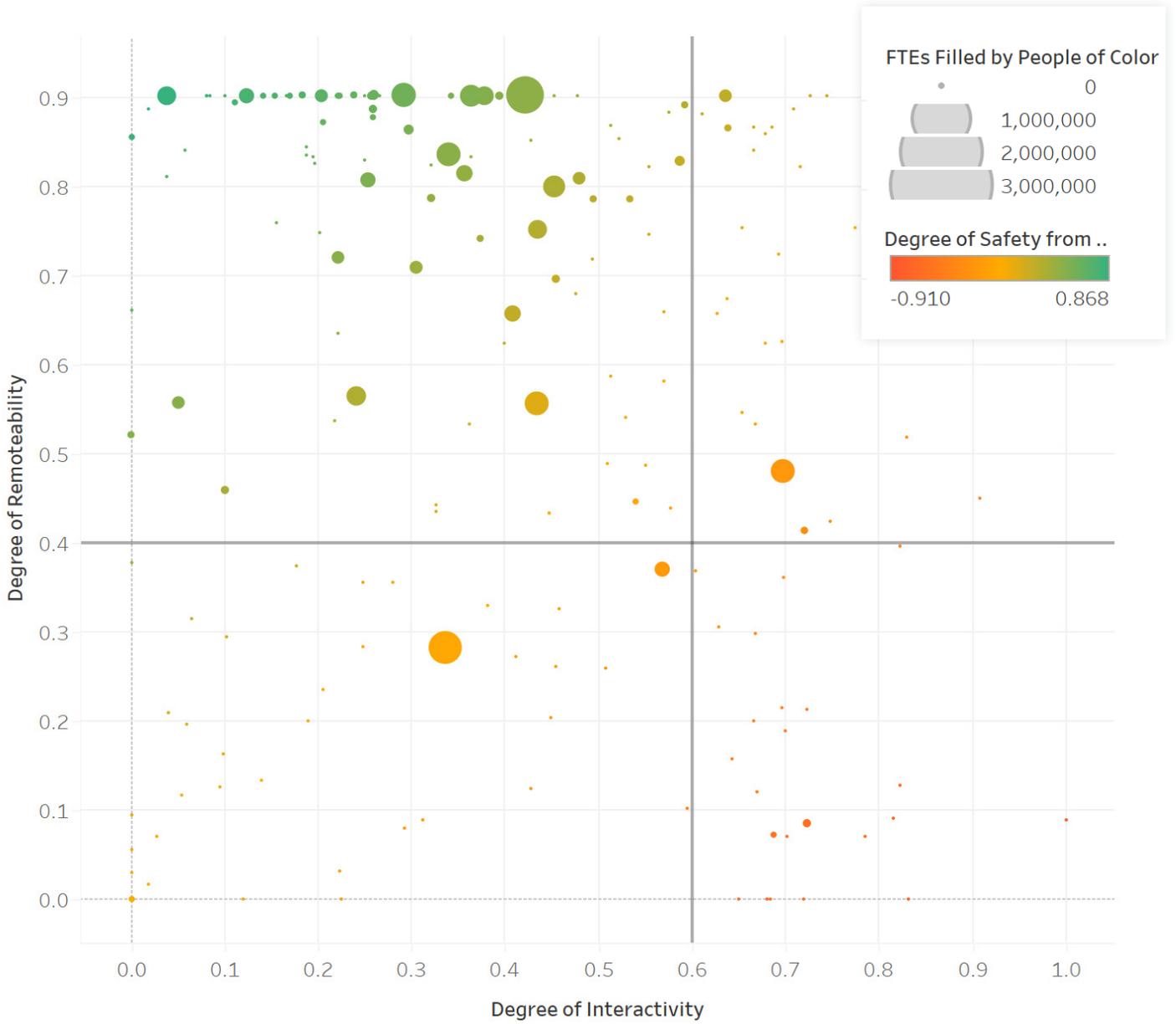


Image 2. Remotability and Interactivity of Roles Occupied by Women in the Finance Industry



Employers could use metrics like these to determine if it is truly necessary for certain workers to return to an office setting. This is in stark opposition to the “presenteeism” that is prevalent in the workplace culture of so many financial institutions. Executives will have to ensure that a return to the office does not lead to a return of the ‘first one here, last to leave’ system of evaluating employee merit.

Childcare is a major factor contributing to women leaving the workforce. Participation in the labor force for mothers of children under 18 dropped by nearly two percentage points during 2020, according to the US Bureau of Labor Statistics^{vi}. Research by the American Association of Retired Persons found that more than 40 percent of women were caring for an adult family member or friend, or a child or grandchild who was at home for remote schooling during the pandemic^{vii}. This led to not only unemployment, but underemployment, as women who didn’t leave the workforce altogether shortened their hours to accommodate caretaking.

Additionally, old problems for inclusion in the workplace did not cease during the pandemic. According to a survey by Deloitte, 52 percent of women reported experiencing harassment or other non-inclusive behavior in the workplace during the past year^{viii}. Women who reported these incidents were twice as likely to say that they intended to leave the workforce.



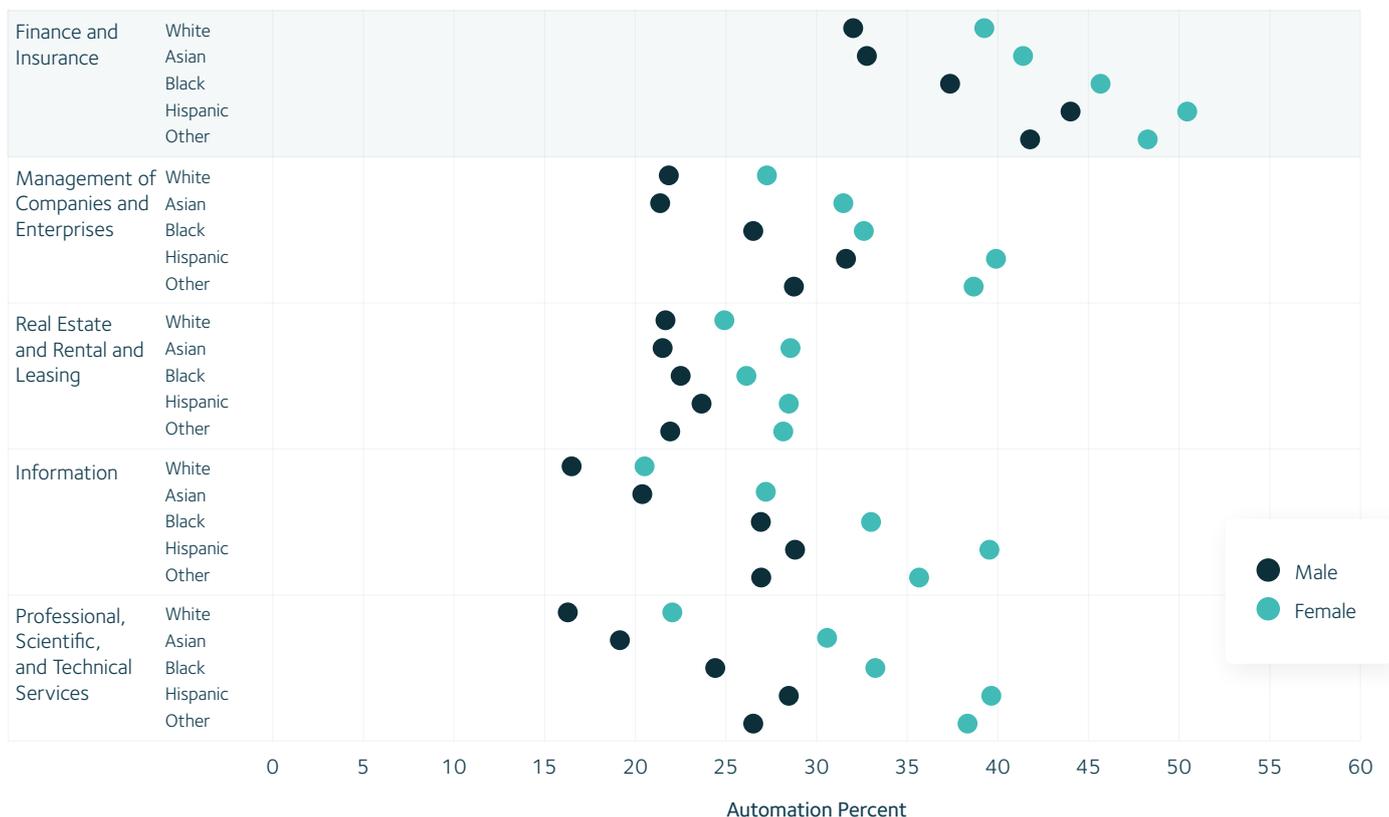
Insult to injury: Automation on the horizon

Gender disparity in leadership roles means that women in roles with more repetitive, procedural tasks that have a higher likelihood of automation will be more starkly impacted by emerging technologies. Thus, women, and especially female people of color, will be more vulnerable to job loss due to automation.

When we consider the financial industry as a whole, the automation rates for women are overall higher than those for their male counterparts, as can be seen below in Image 3. This is also the case in other similar, white-collar industries.

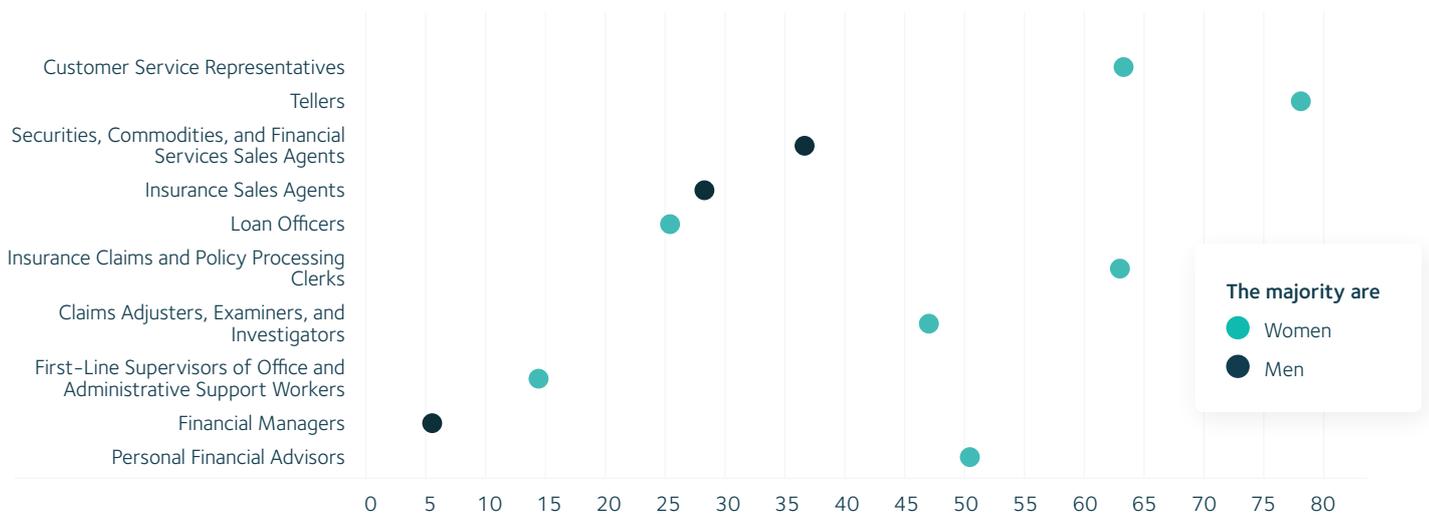
Race is also an important factor. We can see that White and Asian women have lower automation rates than Black men, while Black and Hispanic women are at a double disadvantage, having the highest automation rates in the industry. There is nearly a 20 point difference between Asian men, who have the lowest automation rate, and Hispanic women, who have the highest.

Image 3. Automation Rates, Select Industries, 2031



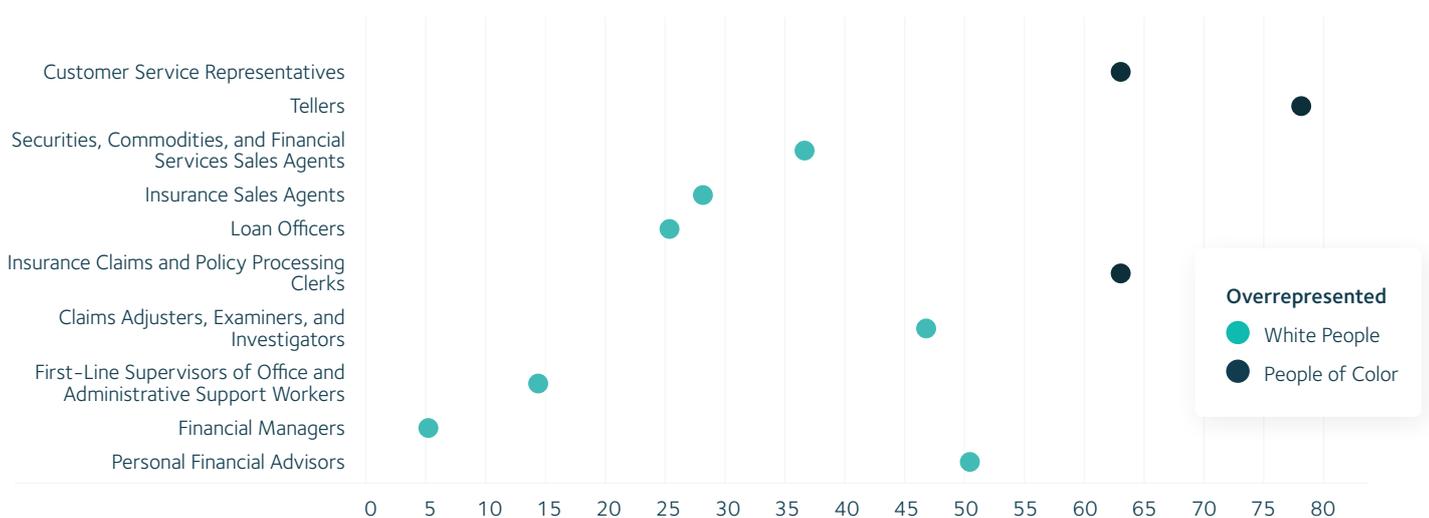
We can see from Image 4 below that women hold most jobs within seven of the ten most populous roles in the industry. Of those, five will likely be automated by more than 45 percent within the next ten years. This presages significant job losses for women in the industry.

Image 4. Automation Rates for the Top Ten Roles in Finance and Insurance, 2031



If we consider the same roles through the lens of ethnicity, a similar story emerges, as can be seen in Image 5 below. The three roles where people of color are overrepresented¹ are also the three roles that we predict will be automated by more than 60 percent by 2031.

Image 5. Automation Rates for the Top Ten Roles in Finance and Insurance, 2031



¹ "Overrepresented" here means that people of color occupy a higher percentage of the jobs in these roles than their percentage in the general population. People of color make up approximately 40% of the US population, so any role that is more than 40% occupied by people of color is one in which this group is overrepresented.

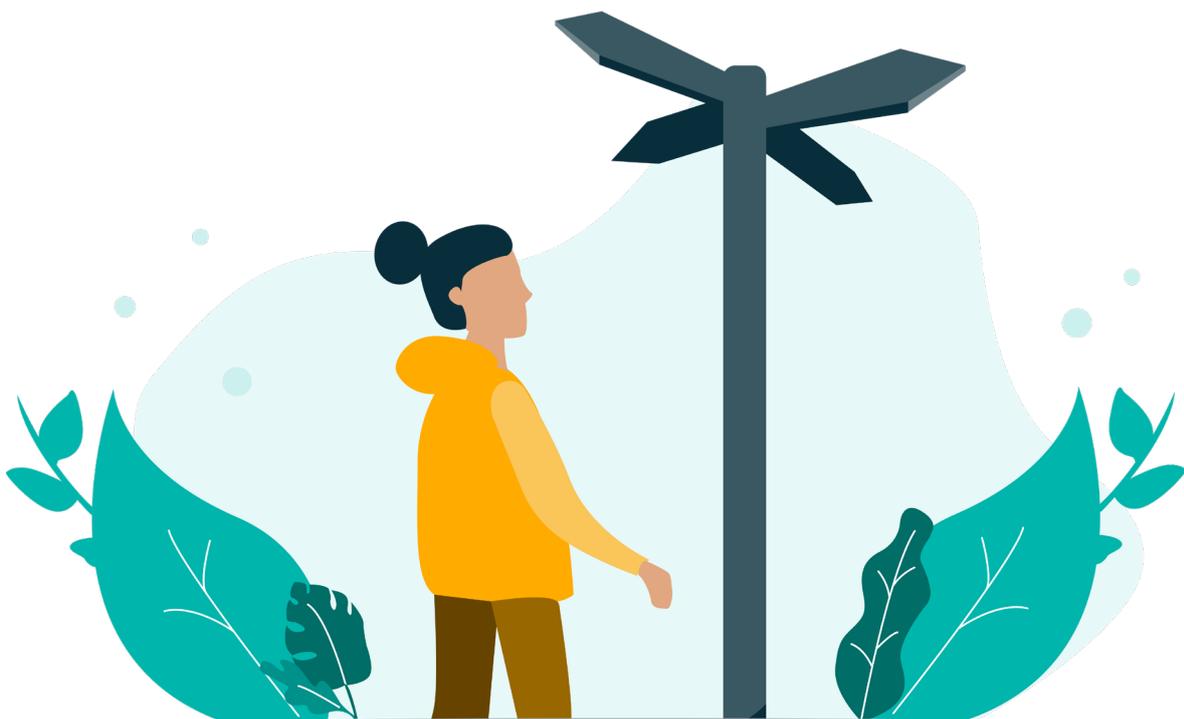


What can be done?

Responsible industry leaders were already in an uphill climb to improve diversity prior to the pandemic. Now, they will have to redouble their efforts against the twin forces of COVID-19 and automation.

As we've already noted, sponsorship and mentorship from senior leaders can help entry-level women in the industry find opportunities for advancement. This sponsorship will have to come from both male and female leaders, both because it will demonstrate buy-in from the whole organization and because there simply aren't enough women in senior positions to provide the guidance needed.

In order to avoid an exodus of diverse workers due to automating technologies, industry leaders will have to take proactive steps to reskill and redeploy women in highly automatable roles into roles that are more future proof. Without immediate action, employers will be consigning their diverse employees to joblessness and serious career disruption. Faethm's Job Corridor is a practical tool that can help identify potential career pathways.



Let us consider the second most populous role in the industry and one of the most vulnerable to automation, Tellers. Predictive analysis indicates that 78 percent of jobs in that role will be eliminated in the next ten years due to automation. The Faethm Job Corridor can identify roles that require similar skills, knowledge, attributes, and context, but are less vulnerable to automation. The ease of transition is indicated by a Job Fit Score which ranges from 1 - 100. A high Job Fit Score indicates that minimal reskilling is needed for a worker to make the transition in question.

The Job Corridor has identified the following potential transitions for a Teller:

Target Job	Job Fit
Manager Customer Support Centre	82.5
Credit Officer	79.6
Direct Lending Team Member	77.4
Team Leader Retail Credit	76.2
Knowledge Broker	74.4
Human Resources Operator	73.3
Junior Java Developer	73.2

The Target Job column shows the roles that a Teller could transition into with minimal reskilling. These roles are all less vulnerable to automation than the Teller role and will be increasingly in demand in the coming years. As technology continues to replace more of the tasks performed in the Teller role, employers will have a choice to make. They can either let go of a large number of Tellers, thereby losing a large number of diverse workers, and hire new employees for the roles above, or reskill existing workers so that they can grow into these in-demand roles. By choosing the latter, an employer can prevent a decrease in diversity, preserve institutional knowledge and culture, and save money on hiring. The choice is an easy one so long as one has access to the data revealed by the Job Corridor.

Industry leaders have a responsibility to make sure that the adoption of new technologies does not deal another blow to diversity in the workforce. With forethought and planning, women and people of color do not have to be left behind in the rush for innovation. Through sponsorship, reskilling, and redeployment, the finance industry can move diverse workers out of harm's way and into a new era of improved parity and inclusiveness.



Appendix

Report Methodology

Projection of the impact of emerging technology

Emerging technology can impact the evolution of work both indirectly and directly. Indirectly by disrupting an entire industry, impacting part of an industry's value chain, or replacing an entire business process; or directly by impacting a job or job task. In this study, we have focused our analysis on the direct impact of emerging technology on jobs and work tasks.

The Faethm model begins with an assessment of whether a job is automatable or not. We apply a support vector machine (SVM) that learns from expert elicited labeling of jobs data. The SVM learns what skills are associated with being automated, and any job analyzed by the model is given a probability of automation. In addition to the SVM, the Faethm model applies an analysis of work tasks and technology-to-task impact over time. A natural language processing (NLP) approach is used to assign one of 16 emerging technology types to a work task (see figure on Faethm's technology taxonomy). The SVM is combined with the task model to identify which jobs and tasks may be impacted by a specific technology and whether a task is likely to be automated or augmented. Adoption scenarios over ten years are also applied to each technology-to-task combination and adjusted by industry-specific technology adoption rates.

The data we apply in Faethm modeling is collected from multiple respected sources. Our core jobs data is an extension of the most comprehensive dataset on jobs, O*NET. Faethm's technology readiness and adoption rates across 152 countries and 19 industries are fueled by research from WEF, INSEAD, Cornell, and McKinsey.

In this study of the US workforce, the Faethm model is applied to government-collected census and employment survey data: EEOC (at 2021) provides data on race, gender, occupation category and detailed industry headcount at the county level; OES (2021) provides detailed occupation, salary, and headcount for detailed industries and state; BLS (at 2021) provides detailed industry headcount at a national level. Automation and augmentation impacts are presented for 2031, ten years from now.



Page notes

ⁱ How banks can build their future workforce—today, Han Hu, Quentin Jadoul, and Angelika Reich, <https://www.mckinsey.com/industries/financial-services/our-insights/how-banks-can-build-their-future-workforce-today>

ⁱⁱ Closing the gap: Leadership perspectives on promoting women in financial services, Stacey Chin, Alexis Krivkovich, and Marie-Claude Nadeau, <https://www.mckinsey.com/industries/financial-services/our-insights/closing-the-gap-leadership-perspectives-on-promoting-women-in-financial-services>

ⁱⁱⁱ Within reach? Achieving gender equity in financial services leadership, Deloitte Center for Financial Services, <https://www2.deloitte.com/content/dam/Deloitte/lu/Documents/financial-services/lu-women-in-fsi-leadership-roles.pdf?nc=1>

^{iv} Bank Bosses Want a Return to Office. Underlings Aren't So Sure, Lananh Nguyen and Jennifer Surane, <https://www.bloomberg.com/news/articles/2021-05-04/bank-bosses-want-a-return-to-office-underlings-aren-t-so-sure?sref=D66cHKRC>

^v Kweilin Ellingrud, Alexis Krivkovich, Marie-Claude Nadeau, and Jill Zucker Closing the Gender and Race gaps in North American Financial Services. The state of women in finance | McKinsey

^{vi} Labor force participation declines for mothers and fathers in 2020, US Bureau of Labor Statistics, <https://www.bls.gov/opub/ted/2021/labor-force-participation-declines-for-mothers-and-fathers-in-2020.htm>

^{vii} Perron, Rebecca. Women, Work, and the Road to Resilience: Working Women at Midlife and Beyond. Washington, DC: AARP Research, September 2021. <https://doi.org/10.26419/res.00488.001>

^{viii} Women @ Work, A Global Outlook, <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/women-at-work-global-outlook.html>





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