

# Diversity, equity and inclusion in Banking: impact of COVID-19

A joint paper by EY and the European  
Banking Federation



**EY**

Building a better  
working world





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# Foreword

The European Banking Federation (EBF) and Ernst & Young LLP (EY) are aiming to accelerate diversity, equity and inclusion (DE&I)<sup>1</sup> within the banking sector. While significant strides have been made among many banks, progress remains a challenge within the industry.

Through a knowledge partnership, the EBF and EY will explore DE&I with a focus on the current state, longer term strategic importance and the implications of COVID-19 on the future of work. The ultimate aim is to accelerate the pace of change across the banking sector and highlight the benefits of effective DE&I in driving long-term value creation for banks' businesses, employees and customers.

We begin the dialogue with this article, examining the impact of COVID-19 on DE&I within banks and the effect of the pandemic on driving inclusion in a remote work environment. As banks rapidly transition a future working model, DE&I must be core to their transformation. This will mitigate the downsides and strengthen the benefits of the workplace reimagined. We use our collective knowledge to navigate the associated complexities and direct banks to adopt a stronger people-orientation to the future of work, understanding the drivers, barriers, needs and preferences of their workforce.

Beyond this piece, our knowledge partnership will focus on DE&I resiliency and crisis management, governance, progress monitoring and results, and the role of banks in driving DE&I in the product mix and among customers.

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<sup>1</sup> Diversity is about differences, such as nationality, language, education, gender, gender identity, expression, sexual orientation, generation, age, socioeconomic background, working and thinking styles, religious background, abilities and disabilities, experiences, career paths, technical skills and identity dimensions defined and constructed by some societies in ethnic, color, cultural, or racial terms.

Inclusiveness is about leveraging these differences to create an environment where all people feel, and are valued, for who they are, have a sense of belonging, and are inspired to contribute their personal best in every encounter.

Equity is about shifting the outcomes, and addressing underlying problems of the cultural root that causes on inequality so that difference is embraced, and not a barrier to overcome.

**EBF**

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DE&I is increasingly acknowledged as a key business differentiator among banks and we aim to be a central pillar for change in the area. By providing insights that drive diversity, equity and inclusion in banks as workplaces, banking products and target customer groups, the European banking sector and its institutional stakeholders will be better equipped to embark on their DE&I change journeys.



Burçak İnel

Director of Financing Growth, EBF

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Deploying DE&I as a foundation for businesses requires drive, dialogue and data. Drive from senior executives to demonstrate the extent of their commitment. Dialogue to connect to people different from yourself - and understand their needs and perceptions. Data to ensure that the status quo and the road ahead are documented and constructed in a way that supports progress and allows adaptation. The EBF-EY knowledge partnership will allow us to support banks in all three areas.



Niels-Peter Van

Doorn  
COO, EBF

**EY**

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People are at the heart of our ambition to build a better working world. A diverse, equitable and inclusive banking sector will accelerate diversity of opportunity within our societies and ensure the service provision to those societies is representative of their diverse needs.

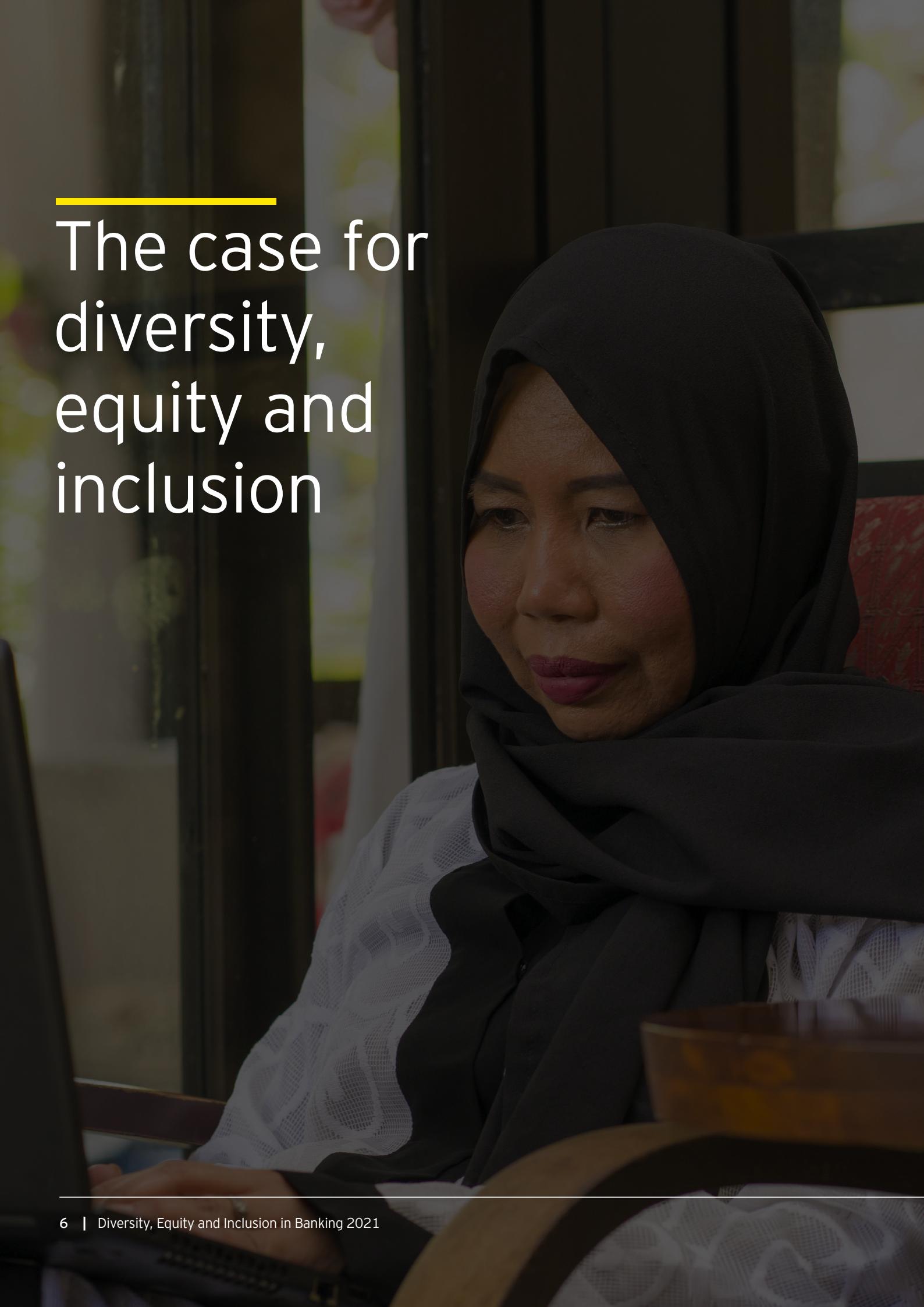


Juliet Charles

Director, EY

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# The case for diversity, equity and inclusion

A close-up photograph of a woman with dark skin and brown eyes. She is wearing a black hijab and a white blouse with a subtle geometric pattern. Her gaze is directed off-camera to her right. The background is blurred, showing what appears to be an indoor setting with warm lighting.

**COVID-19 has highlighted the divisions and challenges faced by diverse groups of people both within Europe and beyond. The banking sector is uniquely positioned to serve the evolving needs of a broad and deep client and customer base, as well as its employees - who number some 2.6 million people in the European Union.<sup>1</sup>**

As employees take the pandemic as an opportunity to realign their values, we have seen firms increase their focus on DE&I over the past year. This shift is driven by a recognition that diverse, equitable and inclusive teams are needed to maintain employee engagement, are critical to firms' ability to align to consumer demand, and to maintain a competitive edge. Banks have altered their perspective on DE&I from being a "tick box" exercise to being a strategic priority that drives positive business outcomes.

The past year has seen the profitability of Banks under pressure, with the economic impacts of COVID-19 compounding an already low interest rate environment. Banks are focusing on putting customers at the heart of their propositions, and doing this with a DE&I lens can both build new revenue streams, and better serve their customers and communities.

For example, female-led companies tend to deliver higher returns despite requiring less venture capital<sup>6</sup>, however female entrepreneurs have more difficulties in raising financing than men<sup>7</sup>.

Ensuring that products and services cater for all groups, can unlock benefits for banks as well as society. In this context, banks see DE&I strategically as a means to;

1. Foster innovation to operate effectively - 87%<sup>2</sup> of employees believe a multi-generational environment fosters innovation and problem-solving.
2. Center recruitment, reward and culture on employee outcomes - 82%<sup>3</sup> of organizations agree that DE&I helps them to attract and retain talent.
3. Redesign business strategy - firms with greater levels of diversity generate 43%<sup>4</sup> more revenues, on average, from innovative products and services.
4. Attract and better serve customers - effectively incorporating DE&I strategy into product and service design can lead to new ways of meeting the needs of diverse customer groups.
5. Adapt to stakeholder and shareholder expectations - there is increasing demand that the firms people work for, buy from, and invest in take greater responsibility for DE&I impact of their businesses.

Research also suggests that whilst ethnic minority owned businesses are more innovative, they often struggle to access external finance to help their business survive and grow<sup>8</sup>.

Developing products and services that cater for all, can unlock benefits for banks as well as society.

<sup>1</sup> <https://www.ebf.eu/facts-and-figures/structure-of-the-banking-sector/>

<sup>2</sup> Randstand workmonitor Q2 2018 report

<sup>3</sup> Willis Towers Watson <https://thedeamergroup.com/workplace-diversity-inclusion-employee-retention/>

<sup>4</sup> Lorenzo et al., The Mix that Matters; Innovation through Diversity (Boston Consulting Group 2017)

<sup>5</sup> EY Global Banking Outlook 2021

<sup>6</sup> Why women owned startups are better bet - Boston Consulting Group 2018

<sup>7</sup> Gender Smart Financing Investing In & With Women: Opportunities for Europe - European Commission 2020

<sup>8</sup>Unlocking opportunity: The value of ethnic minority firms to UK Economic Activity and Enterprise – Federation of Small Businesses (July 2020)

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Now: COVID-19  
has reimagined  
the workplace  
with significant  
DE&I impacts



## The COVID-19 pandemic saw workplaces re-imagined almost overnight. Banks have facilitated the change – but are they also managing the challenges?

Across Europe, most banking industry employees have been working from home since early 2020. The daily commute has largely been eradicated, business travel is almost non-existent, and employees are finding greater flexibility in working hours.

Hailed by many as a major upside of the pandemic, there have, however, been unforeseen consequences of this sudden shift in working norms.

A large part of gender inequality that already existed in the labor market has been attributed to an unequal division of labor in the household<sup>1</sup>. When the COVID-19 pandemic struck, the need for unpaid care work increased through childcare and caring responsibilities. Women have generally been responsible for three times as many hours in unpaid care and domestic work than men<sup>2</sup>. Whilst resulting impact is still unknown, the opportunities potentially missed by women over this period, e.g., training, work allocation, opportunities for promotion, could have negative consequences for years to come.

Separately, the move to online working has for some, exacerbated a lack in the sense of inclusion, with only 29% of Black employees expressing a sense of belonging compared to 56% overall<sup>3</sup>. That sense of inclusion is much harder to create in a virtual world, but it is a necessity to ensure that employees can bring their whole selves to work so that employees and employers can reap the benefits.

Of course, none of the implications are binary and banks must consider the intersectionality of the challenges faced by individuals and teams.

I've configured my work environment to support my hearing needs. This isn't visible to my colleagues or clients and is liberating.

I've found it harder to be visible and connect with my team. Getting my voice heard is a struggle.

Losing the commute means I can be more flexible about when I get work done - fitting it around my caring responsibilities, but it does mean I have no separation between work and home.

I feel like I'm behind. My colleagues have better access to opportunities and learning. I've been busy keeping the show on the road at work and at home...

<sup>1</sup> The Impact of COVID-19 on Gender Equality - Alon et al (March 2020)

<sup>2</sup> policy-brief-the-impact-of-covid-19-on-women-en.pdf (unwomen.org)

<sup>3</sup> One in four believe they don't fit in at work, while experts fear D&I may have slipped down corporate agenda | Inpulse Employee Engagement Software

Many banks are facilitating the success of their employees through this period by:

- ▶ **Demonstrating empathy**, listening and having a clear message to all colleagues on priorities of wellbeing and inclusion.
- ▶ **Supporting flexible working** and encouraging output-based rather than a time-based attitude to work which requires a change to employee and team assessment and a more nuanced culture change to be most effective.
- ▶ **Providing guidance** and space for employees to adjust to new ways of working and prioritizing wellbeing.
- ▶ **Supporting employees** to set-up their work environment in a way that suits physical and neurodiversity needs.
- ▶ **Normalizing the role of both men and women** in childcare and education by providing additional support and assistance to parents in an effort to mitigate the negative impact lockdowns have had on women as they assume greater childcare responsibilities. Many banks have provided increased flexibility on utilization of leave or in many cases additional caring leave allowances.
- ▶ **Introducing support and policies in response** to the rise in domestic violence during the pandemic.

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79% of employers are looking for better digital tools to enable a mix of onsite and remote work<sup>1</sup>

- ▶ **Revisiting approaches performance management** to ensure that those employees who had been negatively impacted are not disadvantaged due to caring responsibilities or home schooling, for example.
- ▶ **Overlaying employee engagement and survey data** with DE&I data to better understand implications on specific communities.

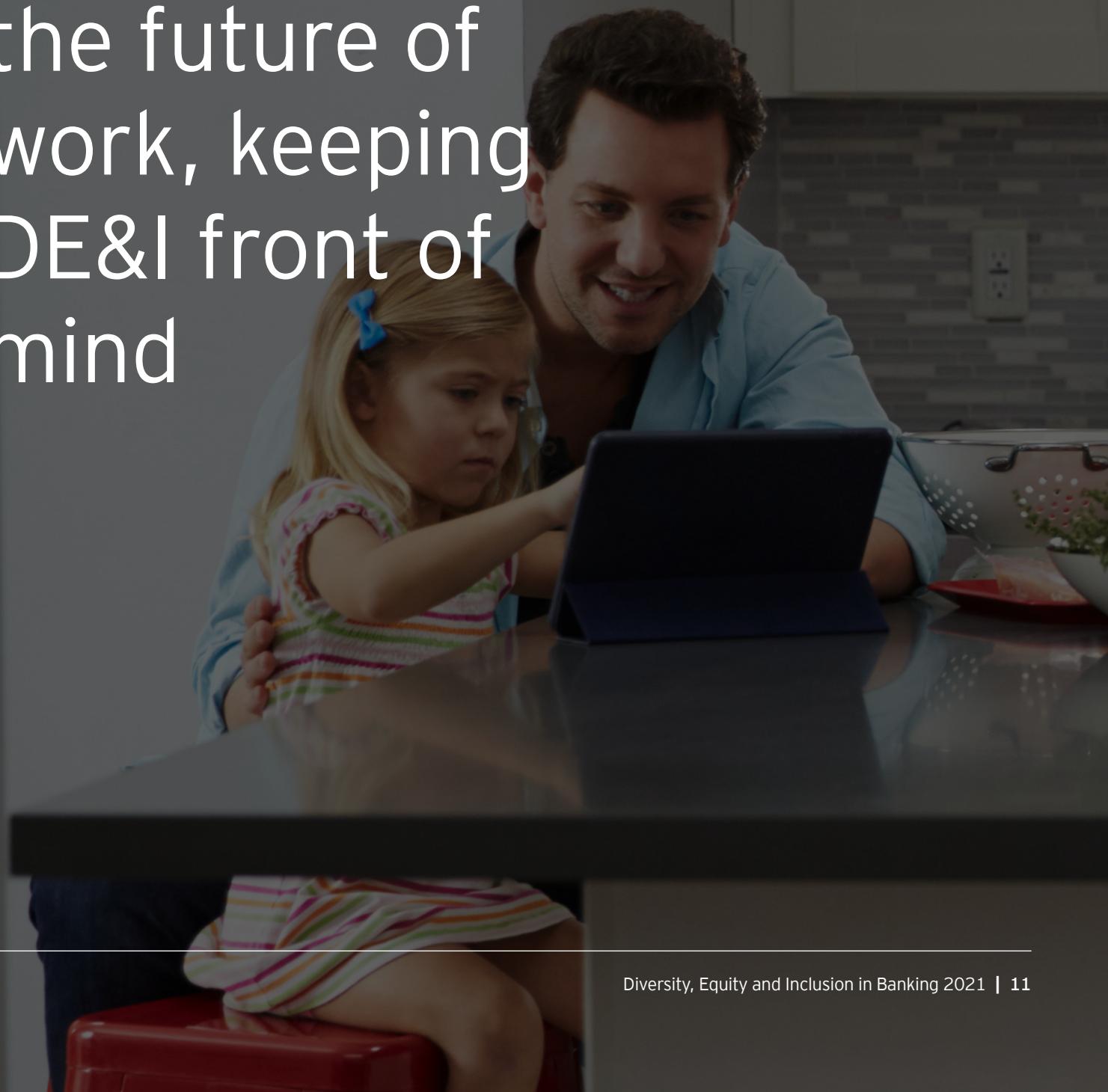
Where the needs and preferences of diverse groups of employees are not given full consideration in these support structures, the void between leadership and employees widens. This undermines the ability of individuals and teams to contribute to the success of the business.

Leaders must reflect on their own circumstances and understand how their privilege translates into the assumptions they make about teams and employees, and the impact this may have on policy.

<sup>1</sup> EY MillionU Client Survey

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Next: banks  
must transform  
and embrace  
the future of  
work, keeping  
DE&I front of  
mind



## Where do banks go next and how do they make sure DE&I implications are effectively managed in an ongoing environment of uncertainty?

Although vaccinations programs are bringing optimism that social distancing restrictions will be relaxed, the timing of this remains unclear and significant uncertainty remains both in terms of economic stress and future ways of working.

Despite ongoing uncertainty, over the coming months decisions will be made over the size and shape of teams, future working models and real estate footprints.

Maintaining DE&I as a strategic priority is an imperative during this uncertainty to prevent significant backward steps, crystallizing the negative implications of the crisis to date, and missing a key opportunity to shift the working environment to one that better supports inclusion on a systemic basis.

- ▶ Direct implications of ways of working over the past 12 months need to be considered and compensating actions put in place where appropriate (e.g. support for training or progression).
- ▶ Where decisions are being made on team size / scale with potential of redundancy, performance prior to COVID-19 should be factored into evaluation of individuals.
- ▶ When planning for and implementing future ways of working the needs and preferences of diverse populations should be considered and built into the forward looking operating model.

Banks can approach this journey, by understanding employees' preferences for future ways of working, including the drivers and barriers for office-based working for diverse populations, to develop a differentiated approach to the future of work. This will allow them to mitigate the negative impacts of the evolving workplace, while crystallizing the benefits.

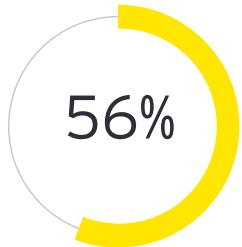
Employees want structure and orchestration between the office, the client site and remote working. This need for structure and orchestration is materially greater for individuals with a disability, those living in shared housing and the under-25's, demonstrating their lack of comfort with current working environments.<sup>1</sup> While employees with caring responsibilities will have vastly different needs.

Data-based assessments must drive decision making - banks must develop a recurring cycle of "Understand, Test and Learn" to continuously evolve their **hybrid working models** to meet customer, employee and business needs.

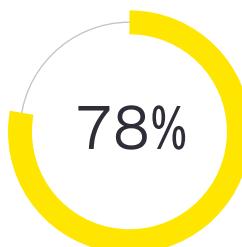
Investment in technology and training will enable a hybrid working model by enhancing communication and collaboration. While clarity on **communication** channels, guidance on running remote meetings and a defined company etiquette (video, dress code, background) will establish purpose and teaming.

Strong **networks** within banks must influence decisions on physical presence and the effective use of face-to-face meetings

COVID-19 has accelerated DE&I and banks must respond with the right **leadership** approach to successfully shift working norms and culture to the next S-curve without loosing momentum.



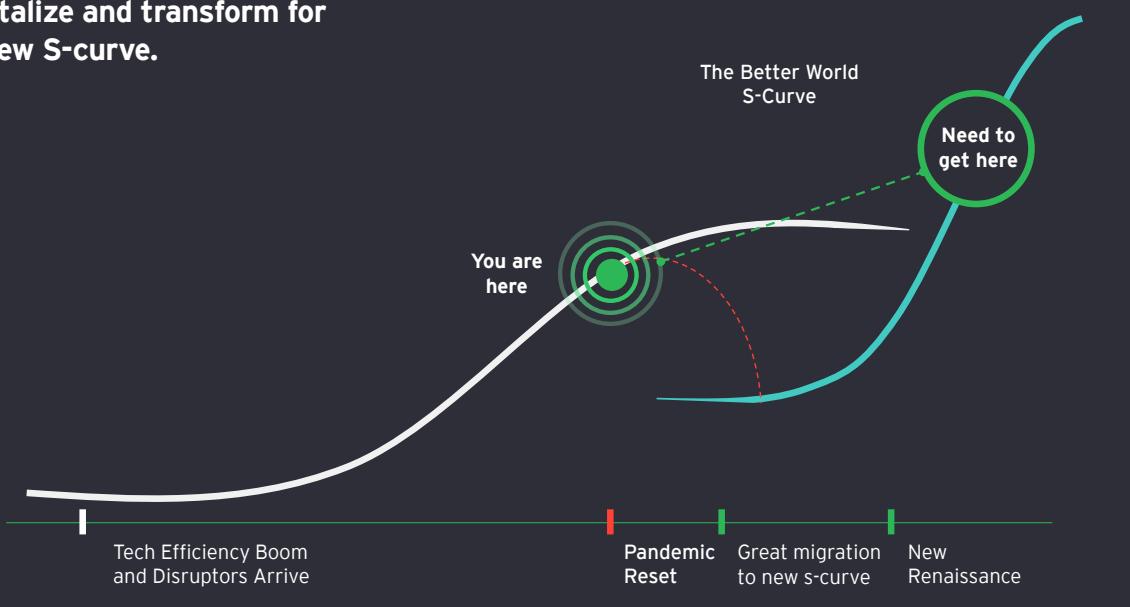
56% of banks surveyed indicate they are looking at radical change in order to survive and thrive<sup>1</sup>. Getting this right from DE&I perspective will set up organizations to reap the benefits that come from being diverse and inclusive.



78% of employers plan moderate or extensive changes to remote working strategies<sup>2</sup>

**External forces are rapidly changing bank, employee and customer needs and expectations, demanding a new model of value creation. Constant disruption from external forces creates a multi-S-curve dynamic, which firms will need to jump in order to succeed. Jumping to the next S-curve means taking a proactive approach to reframe the future, creating long-term value and changing the way banks change.**

**Beyond the physical return to the workplace banks must digitalize and transform for growth on the new S-curve.**



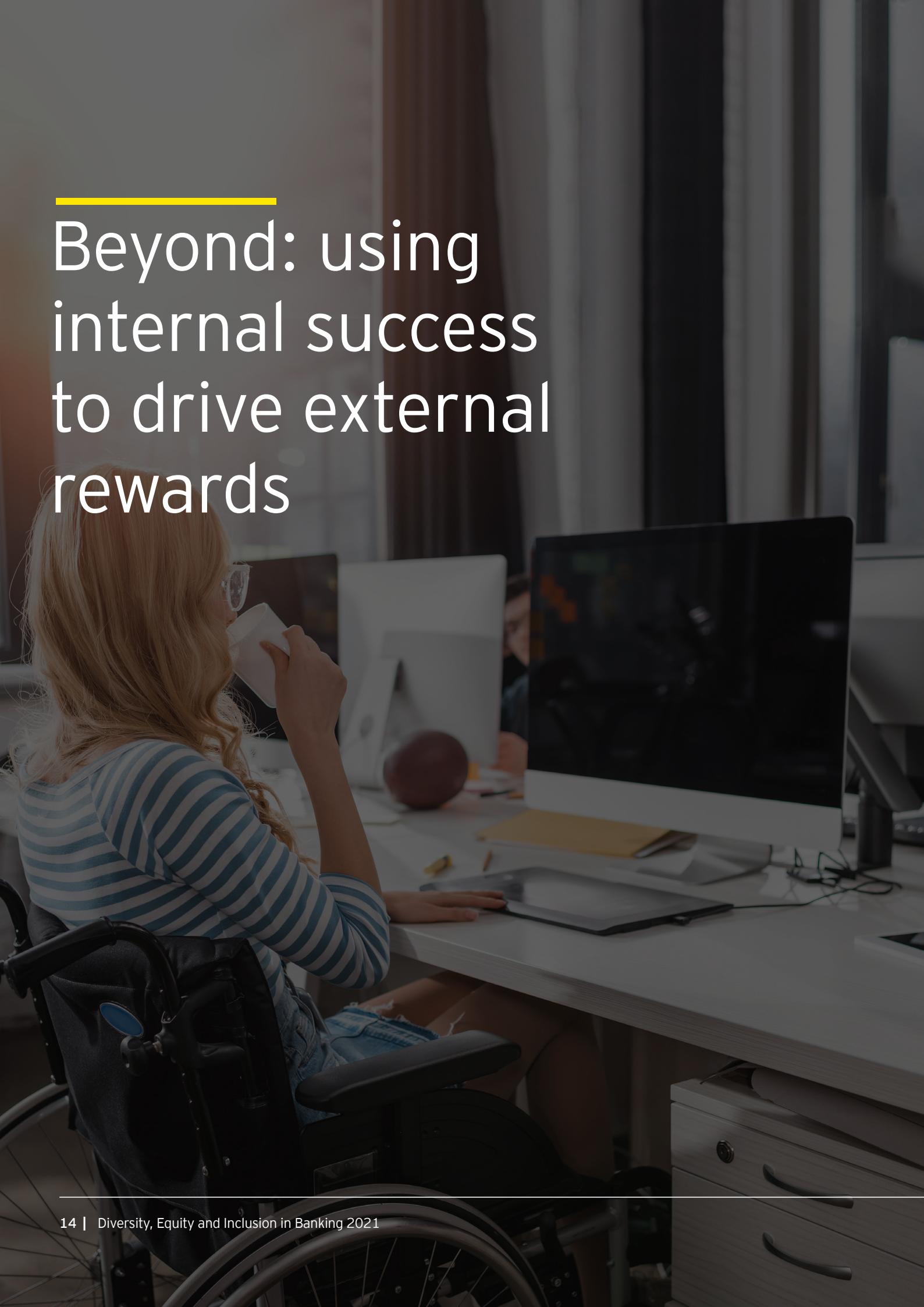
Most firms currently sit within the current S-curve. Future-focused planning must place people at the center, technology at speed and innovation at scale as the central values of transformation. Banks operating with these value drivers are more resilient and will adapt even faster beyond the pandemic.

<sup>1</sup> EY analysis

<sup>2</sup> EY analysis

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# Beyond: using internal success to drive external rewards

A photograph of a woman with long blonde hair, wearing a striped shirt and jeans, sitting in a wheelchair at a desk. She is holding a white mug to her mouth, looking towards a computer monitor. The desk is cluttered with papers, a keyboard, and a mouse. In the background, there are more monitors and office equipment.

## What can banks do to drive DE&I beyond the walls of their organizations to deliver positive returns to society and customers?

Across the European banking market, COVID-19 has accelerated transformation themes such as digital, innovation and work. Banks have accelerated digitalization and innovation programs to deliver against employee wellbeing needs, ensure business as usual and better serve customers. The same must be done for DE&I.

Putting DE&I at the heart of transformation strategies will better position banks to mitigate the negative consequences of the workplace reimagined, build more resilient, agile organizations, develop products and services that address the multitude of needs of their diverse customer bases and ultimately drive greater returns.

As our knowledge partnership gathers pace, we turn to discuss how banks can bring the positive experiences and outcomes from their internal DE&I efforts to their customers and clients through products that deliver against the intersectional needs of the broad communities they serve. By using DE&I as an enabler the sector has a vast opportunity to drive meaningful change.

We seek to explore the benefits of putting DE&I at the heart of strategic change, and the role that diversity takes in enabling the banks to compete effectively across the customers and clients they serve.

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