

**DiversityInc CEO Carolynn Johnson's Written Statement
U.S. House of Representatives Committee on Financial Services
Subcommittee on Diversity and Inclusion Hearing
*“Unfinished Business: A Review of Progress Made
and a Plan to Achieve Full Economic Inclusion for Every American”*
Tuesday, December 6, 2022, 11:00 AM EST**

Honorable Chairwoman Waters, Ranking Member McHenry, and Committee members – for the second time – as the CEO of DiversityInc – I am honored to testify before you.

In the time that I have today, I will share my observations on positive movements made to diversify the financial services sector and the challenges Congress must address to achieve economic inclusion for every person in America.

But first, please accept my appreciation of the progress the Subcommittee on Diversity and Inclusion has achieved since its inaugural hearing in February 2019.

Specifically –

- Analyzing the racial and gender wealth gap –
- Surveying the state of diversity within the financial services industry –
- and scrutinizing barriers to economic inclusion for women, people of color, people with disabilities, people who identify as LGBTQ+, and justice-involved individuals.

Thank you for your unwavering commitment and this discussion of ongoing challenges Congress must address to achieve economic inclusion for every person in America.

Now to my observations on positive movements made to diversify the financial services sector – the primary driver of the nation’s economy.

At DiversityInc, there is data for 32 companies that self-identify as Finance and Insurance in the North American Industry Classification System. Of these companies, white men, 50 percent, are leading the charge for inclusion.

For example, let’s look at State Street – No. 44 on DiversityInc’s 2022 Top 50 Companies for Diversity list. State Street CEO Ronald P. O’Hanley is the only CEO ever to say that company needs to focus on ethnic and racial diversity in the same way it focuses on gender diversity to build its talent pipeline.

State Street CEO Ronald P. O’Hanley is lauded for saying quote – “We believe that diverse and inclusive workspaces are critical to achieving superior execution,” – end quote. Those words have merit, as State Street is also listed.

- No. 7 on our 2022 Top Companies for Board of Directors –
- No. 13 on our 2022 Top Companies for Executive Diversity Councils – and

- No. 16 on our 2022 Top Companies for Talent Acquisition for Women of Color.

Further – and through its “10 State Street Actions” – there is a call for

- Increased representation of Black and Latinx talent at the highest levels of the organization; and
- Increased investments through diverse vendors and anti-racism education for all employees.

With approximately 40,000 employees globally – 39,439 in the U.S. – and total assets under management in trillions of U.S. dollars – State Street is a positive example of movements made to diversify the financial services sector.

Now – let’s look at Moody’s – No. 30 on DiversityInc’s 2022 Top 50 Companies for Diversity list. With 13,000 employees in over 40 countries – 4,800+ in the U.S. – Moody’s is committed to being a place where people choose to come, want to stay — and where everyone can be their authentic selves.

In May of this year – Jose Minaya, CEO of the financial planning company Nuveen – shared a poignant point at the U.S. Securities and Exchange Commission (SEC). Minaya said the SEC’s approval of the Nasdaq’s request to require board diversity disclosures for companies listed on its stock exchange will fuel transparency and accountability regarding practicing and reporting on DEI.

A precursor for two distinct factors.

First, financial management industry employment is expected to grow by 15% by 2029 — much faster than the labor market as a whole — due to the increasing demand for financial, cash, and risk management services – according to the U.S. Bureau of Labor Statistics. As the economy grows, skilled professionals who can plan, direct, and coordinate investments will be increasingly in demand.

Second, how will that workforce look? According to the 2020 Census, the United States is now 38.4% people of color and 61.6% White¹, and women account for 50.8% of the population². Research suggests that by 2045, the United States will be a majority of people of color³.

This is the opportunity Congress must address to achieve economic inclusion for every person in America – which means representation and fairness.

¹ <https://www.census.gov/library/visualizations/interactive/race-and-ethnicity-in-the-united-state-2010-and-2020-census.html>

² <https://www.census.gov/quickfacts/fact/table/US/LFE046220>

³ <https://www.brookings.edu/blog/the-avenue/2018/03/14/the-us-will-become-minority-white-in-2045-census-projects/>

Fairness and access in the financial services sector, where research found that White men managed a stunning 98.7% of the assets in the U.S. investment management sector in 2019⁴. That's hedge funds, mutual funds, real estate funds, and private equity funds.

Yet, representation is only half of the solution.

It is imperative that all staff, regardless of their gender, race, or ethnicity, are paid equitably. Research has indicated that the financial services sector has the most significant pay gaps, compared to all other industry sectors⁵.

Achieving pay equity creates an inclusive and fair environment so that employees receive equal pay for equal work.

Pay equity audits can decrease compensation gaps for women and minorities versus their counterparts which limits their ability to build wealth and experience total inclusiveness in the workplace.

In closing, numerous data studies have proven the close relationship between workforce diversity and business success. Consider that employee performance in diverse organizations is 12% higher⁶ than in companies with no inclusivity efforts.

Or that Harvard Business Review found that having a high sense of belonging can increase job performance⁷ by 56% or more, reduce turnover by 50%, and significantly decrease the number of sick days.

Thank you for this second opportunity to testify before you. I can answer any questions you might have.

⁴ <https://knightfoundation.org/reports/diversifying-investments-a-study-of-ownership-diversity-and-performance-in-the-asset-management-industry/>

⁵ <https://www.adpri.org/assets/2019-state-of-the-workforce-report/>

⁶ <https://www.achievers.com/blog/diverse-teams-at-work/>