THE INVESTMENT ASSOCIATION

Thinking Ahead Institute
An innovation network founded by WTW

IA CULTURE, TALENT AND INCLUSION REPORT:

A demographic snapshot of the industry

November 2024

ABOUT THE IA

The Investment Association champions UK investment management, supporting British savers, investors and businesses. Our 250 members manage £9.1 trillion of assets and the investment management industry supports 124,800 jobs across the UK. Our mission is to make investment better. Better for clients, so they achieve their financial goals. Better for companies, so they get the capital they need to grow. And better for the economy, so everyone prospers.

Our purpose is to ensure investment managers are in the best possible position to:

- Build people's resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth through the efficient allocation of capital.

The money our members manage is in a wide variety of investment vehicles including authorised investment funds, pension funds and stocks and shares ISAs.

The UK is the second largest investment management centre in the world, after the US and manages 36% of all assets managed in Europe.

ABOUT THE THINKING AHEAD INSTITUTE

The Thinking Ahead Institute (Institute) is a global research and innovation network of some of the world's major investment organisations and aims to mobilise capital for a more sustainable future. Arising out of WTW Investment's Thinking Ahead Group, the Institute was established in January 2015 as a not-for-profit group comprising asset owners and asset managers. Currently, it has over 50 members with combined responsibility for over US$16 trillion worth of assets.

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FOREWORD

To keep UK investment management globally competitive, people must be at the centre of our efforts. Building strong teams that innovate and drive business growth means hiring and nurturing talent from all sectors of society. By creating the right conditions where people are attracted to our industry and want to stay and build their careers, we benefit from a broad range of talent, with diversity in all its forms naturally following.

Robust data collection that allows us to better understand our workforce, how it is changing and the effectiveness of strategies to attract, advance and retain talent, is central to informed decision making.

The Investment Association (IA), working in partnership with WTW's Thinking Ahead Institute is pleased to publish its second annual Culture, Talent & Inclusion Report: A Demographic Snapshot of the Industry – the most comprehensive dataset on EDI for the investment management industry in the UK.

We have been encouraged to see firms collecting data against a wider set of characteristics in this year's survey, including disability, neurodiversity and socio-economic background. In addition, a reported decline in non-disclosure rates year-on-year indicates growing trust amongst employees in data collection efforts, pointing to greater understanding of the value comprehensive EDI data can bring to the industry as a whole. I hope to see this positive shift continue as EDI strategies become more embedded across organisations.

Whilst it's encouraging to see that fostering a positive and inclusive culture overwhelmingly remains the top motivating factor for firms collecting diversity data, year-on-year there has been a significant spike in those collecting data to comply with current or future industry regulations. Even if regulation is the primary driver, we encourage firms to consider how they can use the insights to make positive change and embrace the value that people's data offers beyond just assessing non-financial risk.

One notable point in this year's data is the noticeable decrease in female representation among those aged 50-64, making up just 8% of the investment management workforce. Whilst this could be driven by factors including caring responsibilities and the impact of the menopause, cultural barriers within firms, such as a lack of role models or limited infrastructure and support to navigate career changes in other areas of the business may also exacerbate the issue. We have identified this gap as a key focus point for firms, encouraging further analysis to uncover insights into women's experiences and motivations, enabling them to take more informed actions to support and engage with this group effectively.

Firms tell us that they can manage what they measure, and whilst this mindset has its roots in portfolio management, it serves as a useful approach for fostering an inclusive workforce when combined with qualitative analysis, helping to recruit and promote people from all demographics and backgrounds. If we don't measure EDI effectively, it becomes much more challenging to target efforts to areas of practice, whether that be policy, process or behaviours, that can make the greatest difference. The results of this year's survey show that we are making significant progress in collecting demographic data as an industry. Let's maintain that momentum.

I would like to thank our partner, the Thinking Ahead Institute for their ongoing commitment to this project and all the member firms that participated in our survey. Driving meaningful and sustainable change takes time and requires perseverance, commitment and a unified effort across the industry. This report provides valuable analysis that will support firms in shaping their EDI strategies.

Karis Stander

Director, Culture, Talent & Inclusion,
MD, Investment20/20

ABOUT THE SURVEY

This is the second year that the Investment Association (IA) has fielded a survey to its members to gather demographic data on employees working in the UK investment management industry in 2023. Our report uses the data and survey responses to provide detailed analysis of the profile of people who work in UK investment management and how this is changing year-on-year. This year, we have produced a shorter, more focused report. However, beyond the demographic data analysis, we continue to cover three key themes: recruitment, pay gaps and culture. We intend to offer more comprehensive analysis every three years, incorporating extensive qualitative research.

THE SURVEY FINDINGS ARE BASED ON:

- Questionnaire responses from 58 UK investment management firms who collectively represent 71% of total UK assets under management (AUM) and employ 81% of the approximate 45,800 people directly employed by the investment management industry in the UK.
- Qualitative feedback from the IA's survey advisory group and the IA's HR Committee
- Data provided to the IA by member firms for other Equity, Diversity and Inclusion (EDI)-related workstreams including our Diversity Data Collection Guide 2024 done in partnership with PwC.
- Case studies received from IA member firms.
- Data sourced from third-party organisations where specified.

Our survey data is gathered from firms of different sizes and with parent groups from the UK, the US and Europe. Some of the key features of firms participating in the survey are outlined below:

- **Firm size by AUM:** There is an even split of survey participants by AUM. 34% are smaller firms with less than £15 billion of AUM, 29% are medium-sized firms managing between £15 billion and £50 billion and 36% are large firms managing AUM of over £50 billion.
- **Firm size by number of employees:** Nearly half (48%) of firms responding to the survey have fewer than 250 employees; of the 52% of firms responding with more than 250 employees, 17% have 1,000 employees or more.
- **Firm profile by parent company:** The majority of firms participating have UK parent companies – 71% of the firms that participated are headquartered in the UK. 29% of firms taking part in the survey have overseas parent companies. Firms with a North American parent company account for 55% of firms with overseas parent companies and firms with European headquartered parent companies make up 31%.

Please note that the response rate differs across questions. Where we have been able to compare 2022 with 2023 data, we have done so but for this year we have also made a number of refinements to the questions and data collected through the survey, so year-on-year comparisons have not been possible across all questions. This report is therefore best used as a snapshot of industry demographics in 2023 rather than providing industry progression year-on-year.

THE SURVEY IS IN FIVE CHAPTERS:

1. **Emerging Trends in Demographic Data Collection**
2. **Investment Management Industry: Employee Demographics**
3. **Recruitment and Retention**
4. **Pay Gaps**
5. **Culture and Accountability**

EXECUTIVE SUMMARY

3 KEY FINDINGS

1. Data collection is improving across the industry with more firms collecting data across different demographic characteristics.
2. Non-disclosure rates are decreasing across all characteristics, suggesting that firms are building greater trust with their workforce in data collection efforts.
3. Female representation in the 50-64 age bracket declines, leading to a wider gap between men and women in this age group.

EMERGING TRENDS IN DEMOGRAPHIC DATA COLLECTION

- Firms are collecting data against a wider set of characteristics compared with 2022. Over 60% of survey respondents are collecting data across at least six characteristics: age, disability, ethnicity, gender, religion and sexual orientation.
- Collection rates are highest (over 80% of firms) for gender, age and ethnicity. The lowest rates of collection are for socio-economic background and neurodiversity but data collection on these characteristics is fairly recent across many firms and this data is not typically collected as part of employee onboarding, which affects collection rates.
- As disclosure of personal information remains voluntary for employees, firms have made concerted efforts to build trust and engage employees in data collection exercises. As a result, both data collection and employee disclosure rates have improved year on year, indicating progress in these efforts.
- There is an increase in average response rates across all characteristics and a decrease in the non-disclosure rates for key characteristics such as ethnicity and sexual orientation, leading to improved data quality. However, non-disclosure rates remain higher compared to age and gender.

INVESTMENT MANAGEMENT INDUSTRY: EMPLOYEE DEMOGRAPHICS

- The UK investment management industry is one with a relatively young workforce – slightly over a third of employees (34%) are under 35 years of age.
- 53% of investment management employees are male and 41% are female.
- Two thirds of employees are White/White British, with Asian/Asian British being the next most represented group at 10%.
- When looking at the intersection of age and gender, the survey indicates that there is a noticeable decrease in female representation over 50, with women aged 50-64 making up just 8% of the investment management workforce.

RECRUITMENT AND RETENTION

- Many firms continued to recruit in 2023, 54% of firms adopted cost cutting measures. Among these, 37% of firms implimented redundancies, while 19% implemented recruitment freezes.
- Recent hiring trends show an increase in representation of women at senior levels. Women now occupy 45% of executive leadership positions and 42% of senior management roles, reflecting an increase from 39% and 38%, respectively.

PAY GAPS

- There have been continued improvements in the gender pay gap across investment management which has fallen from an average of 31% in 2018 to 23% in 2023. However, we have not seen an increase in representation of women in the highest paying jobs with the average proportion of women in upper quartile pay bands remaining unchanged at 25% since 2018.
- The IA will continue to engage with the government on proposals regarding the anticipated introduction of ethnicity and disability pay gap reporting. High non-disclosure rates and low collection rates would suggest that reporting against these characteristics is more challenging than reporting on gender.

CULTURE AND ACCOUNTABILITY

- Two thirds of survey respondents have stated that ultimate responsibility for delivering against an EDI strategy lies with the CEO and executive teams within firms. We saw a small increase (to 21% from 18%) of firms stating that the Board is ultimately accountable and the recent FCA consultation has suggested that Board's should have accountability for EDI strategy. However, the view of the IA and industry in our response to the FCA consultation is that it is right that accountability sits with the CEO and executive team, who are more closely engaged with day-to-day operations.

INTRODUCTION

The IA has been a strong advocate for nurturing a healthy corporate culture within the investment management sector and our report, produced in partnership with the Thinking Ahead Institute, offers an in-depth analysis of the current demographic makeup and trends within the UK investment management industry. By promoting transparency and understanding the diverse makeup of our sector, it serves as a vital tool for gaining insights into the dynamics that shape the recruitment, advancement and retention of the people who work in our industry.

Through in-depth analysis, we are better positioned to align strategies, policies and procedures that drive progress. This report establishes a solid foundation for our ongoing commitment to fostering a culture of inclusion and belonging, enabling us to benefit from the full range of talent that drives innovation across our industry.

THIS REPORT SUPPORTS MEMBERS BY:

- Providing a year-on-year snapshot of the demographic makeup of the UK investment management industry.
- Explaining what data firms are collecting and how they are building trust within their workforce to improve data quality.
- Allowing firms to benchmark themselves against the wider industry.
- Providing updates on pay gap data and insights on preparedness for future regulatory and legislative requirements.
- Helping firms to understand how the industry is working towards embedding EDI into its overall culture.

“LAST YEAR'S INTENT TO ASSESS THE PULSE OF EQUITY, DIVERSITY AND INCLUSION PROGRESS ACROSS THE INDUSTRY IS YIELDING ITS FIRST FRUITS. TANGIBLE IMPROVEMENTS IN DATA COLLECTION, RESPONSE RATES, AND THE CONSOLIDATION OF YEAR-ON-YEAR TRENDS FROM THE SECOND CONSECUTIVE YEAR OF RESEARCH REFLECT CONTINUED EFFORTS IN THIS SPACE. EDI IS ONE OF THOSE SOFT FACTORS INCREASINGLY INFLUENCING ORGANISATIONAL SUCCESS AND INVESTMENT PERFORMANCE. THE INSIGHTS REVEALED TODAY HAVE THE POTENTIAL TO UNCOVER HIDDEN DRIVERS AND PATTERNS FOR TOMORROW. THIS STUDY LOOKS TO THE FUTURE – TO THE ORGANISATIONS OF TOMORROW.”

Marisa Hall
Head of the Thinking Ahead Institute, WTW

1. EMERGING TRENDS IN DEMOGRAPHIC DATA COLLECTION

KEY FINDINGS

1. Non-disclosure rates are decreasing indicating growing employee trust in firms' data collection processes.
2. Data collection is increasing across the industry and response rates are improving resulting in greater quality data.
3. Fostering a positive and inclusive culture remains the main motivation for data collection. However, the growing importance of compliance with anticipated FCA regulatory reporting requirements is now also a top driver for data collection.

Collecting and analysing data is essential for understanding the industry's demographic composition and is a key part of evaluating the effectiveness of strategies to attract, advance and retain talent from diverse backgrounds within the UK workforce. Paired with in-depth insights into employee sentiment, this approach contributes to building healthy workplace cultures aligned with corporate values of inclusion, trust and talent development – supporting both business success and workforce wellbeing.

Firms are increasingly expanding their data collection efforts beyond the traditional demographic categories of age, gender and ethnicity to include additional characteristics such as disability, sexual orientation and socioeconomic background. This suggests that firms are increasingly measuring a more detailed set of data to develop a clearer picture of employee demographics.

In this year's report we have requested demographic data from firms across eight key characteristics, along with the percentage of their workforce in each group.

FIGURE 1: EIGHT DEMOGRAPHIC CHARACTERISTICS

MOTIVATIONS FOR COLLECTING DIVERSITY DATA

This year's survey finds that firms' motivation for collecting demographic data is largely driven by internal motivations to advance their Equity, Diversity and Inclusion (EDI) strategies. Chart 1 shows that nearly all firms, (92%), report that their primary reason for collecting workforce data is their commitment to fostering a positive and inclusive culture. Additionally, 66% cite tracking against internally set diversity targets as a key reason for data collection[1].

However, external factors are also becoming significant drivers. 61% of firms indicate compliance with current or future regulation as a motivation, while 31% are responding to RFP demands. This focus on data collection has intensified due to anticipated regulatory reporting requirements, as new proposals may mandate firms to gather and disclose data on six key characteristics: age, disability, ethnicity, gender, religion and sexual orientation. The FCA now identifies a lack of diversity as a core non-financial risk, emphasising the need for risk and compliance teams to closely monitor these proposed data characteristics.

In our previous survey, we asked firms whether they were collecting data on religion, but this year we decided not to include this question. Last year's results showed that very few firms were collecting data on religion, and where it was collected, staff response rates were extremely low. Anecdotal evidence indicated that employees did not see the relevance of sharing religious information with their employer.

While regulation may help to drive data collection and promote consistency in the way that data is collected, it also risks shifting the focus of demographic and inclusion data from fostering a positive workforce culture, to a more compliance driven task. This shift could undermine the role of data in supporting an inclusive culture, as firms might prioritise meeting regulatory requirements over genuine cultural engagement.

We explore the latest regulatory developments concerning workplace culture in Chapter 5 of this report.

In analysing the evolution of data collection and response rates between this report and last year's report, we used a matched sample approach to accurately assess year-on-year progress and control for changes in the sample[2].

CHART 1: MOTIVATIONS FOR COLLECTING DIVERSITY DATA, MATCHED SAMPLE (2023)

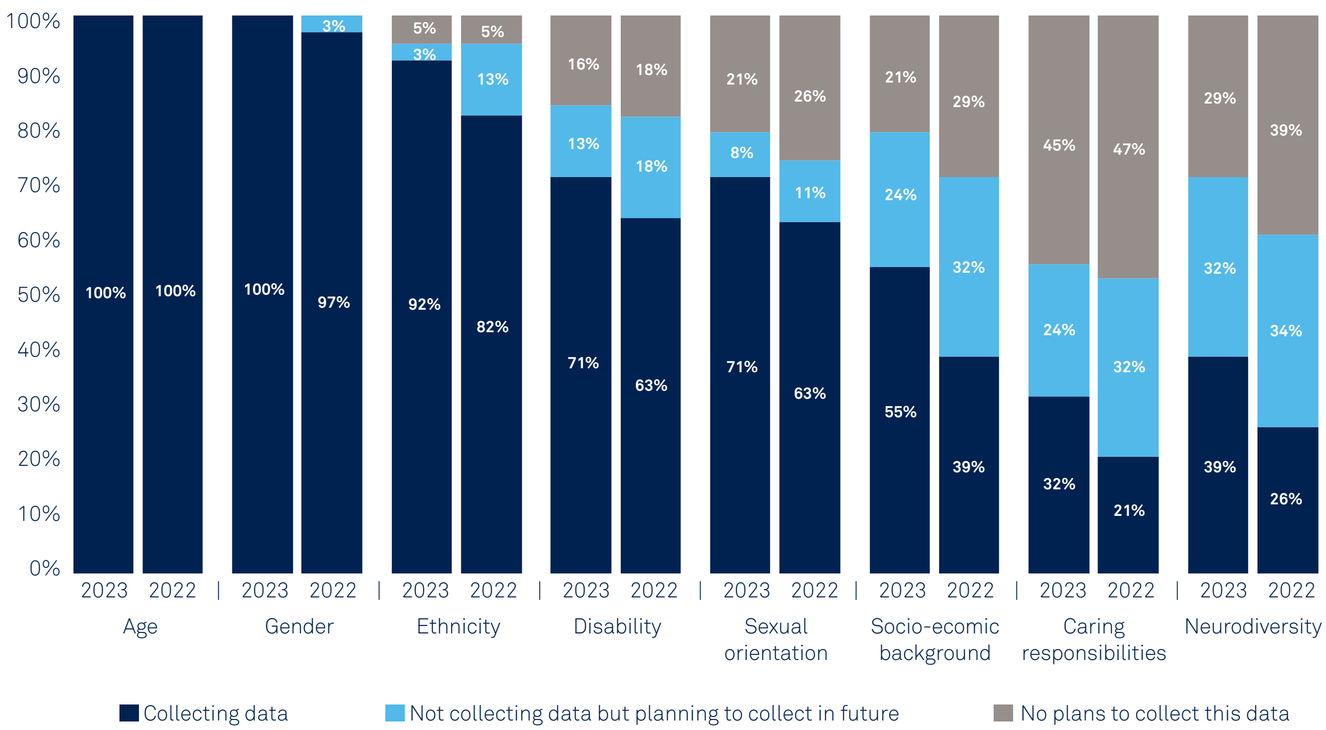
[1] In last year's survey, 15% of firms indicated that compliance with current and future regulation was a top 3 driver for data collection, however the options provided to firms changed in 2023, making meaningful year-on- year comparisons more challenging.

[2] A matched sample is constructed by taking the firms that have responded to a particular question in both 2022 and 2023. We have a number of firms who are responding to the survey this year who did not respond last year. A matched sample analysis allows us to observe the year-on-year trends while controlling for changes in the sample.

DATA COLLECTION BY FIRMS IS INCREASING

The matched sample shows that data collection rates have increased across all characteristics between 2022 and 2023. In fact, over three fifths (61%) of respondents to the survey are collecting data across at least six of the eight characteristics. Almost all firms (over 90%) are collecting data for age, gender and ethnicity, while data collection on neurodiversity, caring responsibilities and socio-economic background remains relatively concentrated to larger firms.

CHART 2: **DATA COLLECTION RATES AGAINST KEY CHARACTERISTICS, MATCHED SAMPLE (2023 VS. 2022)**

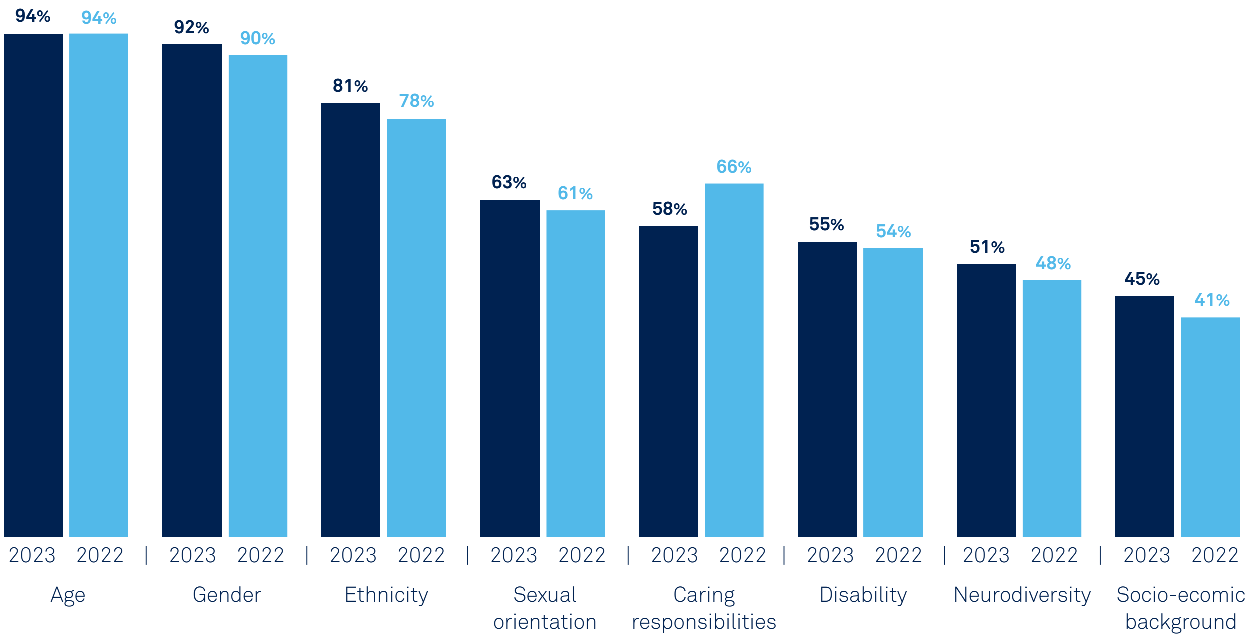


EMPLOYEE DISCLOSURE RATES ARE IMPROVING

Firms can collect data across various characteristics but the sharing of that data by employees is entirely voluntary. As some employees may feel uncomfortable sharing their personal data, this can lead to low response rates. However, the effectiveness of any data collection effort hinges on building the most complete picture of the workforce possible.

Average response rates have improved year-on-year across six of the eight characteristics in 2023. Firms collecting data on age and gender continued to achieve an average response rate over 90% in 2023 and response rates on ethnicity exceeded 80%. These characteristics are commonly asked for in employee onboarding processes, which helps to ensure high response rates. The lowest response rates provided are for socio-economic background and neurodiversity, more specific characteristics that employees may be less familiar with or less comfortable providing data on, although we have seen response rates rise for these characteristics in 2023.

CHART 3: AVERAGE RESPONSE RATES AGAINST KEY CHARACTERISTICS, MATCHED SAMPLE (2023 VS. 2022)



Our survey also captures data on employees who participate in data collection exercises but who choose not to disclose information on some or all of their personal characteristics. The matched sample analysis, illustrated in chart 4, reveals that firms have successfully reduced non-disclosure rates for ethnicity, gender and sexual orientation year-on-year. Gender and sexual orientation saw the largest decreases falling seven and five percentage points respectively. If we look at non-disclosure rates across all characteristics by firm size (according to headcount not AUM), of the three most collected data points: age, gender and ethnicity, we find that the largest firms have lower response rates to gender and ethnicity questions than smaller firms but firms of all sizes have a high response rate to age. Collecting data from thousands of employees is harder. Smaller firms also typically ask fewer questions and none of the smallest firms in our sample asked about socio-economic background and sexual orientation.

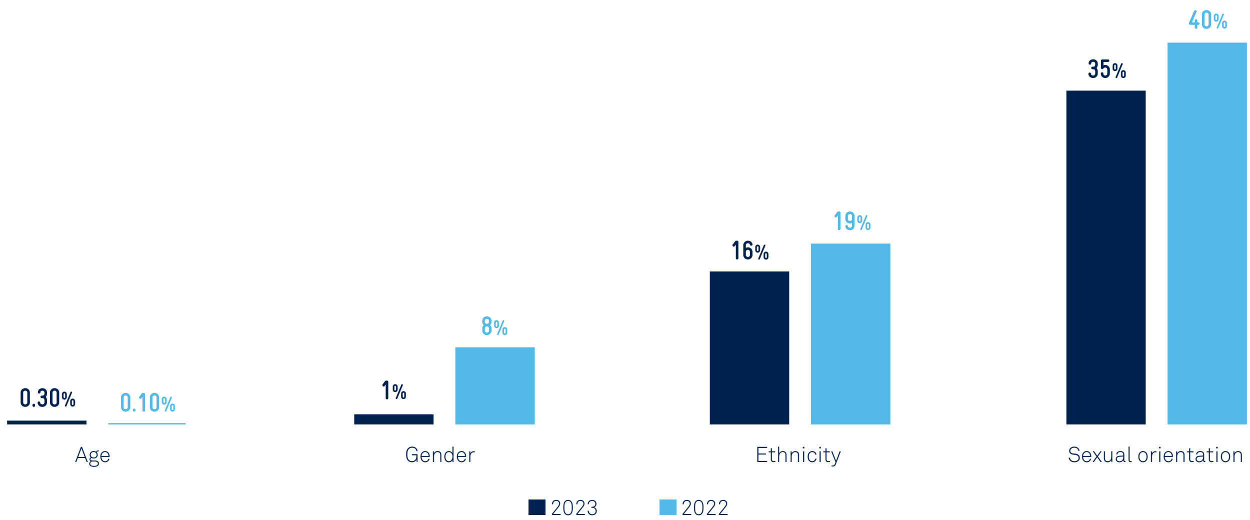
Several factors can significantly impact employee response and disclosure rates:

- **Clear Communication:** Clearly communicating the purpose of data collection and how the information will be used.
- **Frequency of Data Collection:** Regular and repeated data collection helps employees to become more accustomed to sharing their personal information over time.
- **Method of Collection:** Integrate the collection of additional characteristics during employee onboarding as data collected at this stage has higher disclosure rates.

Analysis of this year's data reveals a promising trend: the industry is making significant progress on building trust in the data collection process, leading employees to feel more secure sharing their information. This progress not only enhances the quality and reliability of the data collected, it also indicates that firms are more effectively communicating the purpose of data collection, explaining how information will be used and addressing employees' concerns about data sharing.

To understand the factors driving lower response rates, firms can start by analysing their existing data. For example, if many people select "prefer not to say," or do not respond to the question at all, it is important to assess whether this approach is disproportionately high for certain characteristics. Our survey shows that non-disclosure rates are higher for disability and sexual orientation, potentially making employees with these characteristics less visible in the wider workforce.

CHART 4: **NON-DISCLOSURE RATES ACROSS KEY CHARACTERISTICS, MATCHED SAMPLE (2023 VS. 2022)**



2. INVESTMENT MANAGEMENT INDUSTRY: EMPLOYEE DEMOGRAPHICS

KEY FINDINGS

- A snapshot of the industry across six demographic characteristics reveals 53% of investment management employees are men and 41% are women - representation of women has increased by 2% year-on-year, with other characteristics remaining relatively unchanged.
- There is a noticeable decline in female representation over 50, with women aged 50-64 making up just 8% of the investment management workforce.
- A third of the workforce is under the age of 35. 43% of investment management employees are aged 35-49, the most represented age group. 22% are aged 50-64.
- 62% of employees are White, 10% are Asian and 3% are Black.
- 4% of investment management employees have disclosed that they have a disability, slightly up from 3% in 2023, although it is not clear if this increase is a result of the industry employing more disabled people or because of higher disclosure rates.
- The average response rate for socio-economic background data is increasing. However, data collection rates are still too low to provide a clear picture of the socio-economic make up of investment management employees.

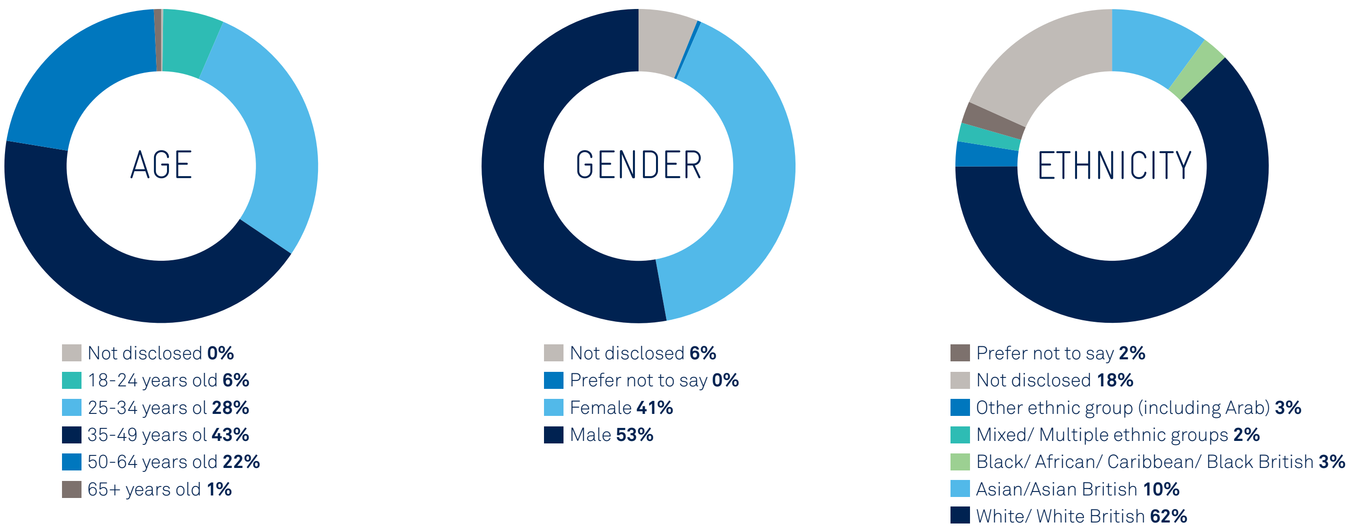
INDUSTRY SNAPSHOT

The data presented in this section provides a snapshot of the composition of the UK investment management industry's workforce as of December 2023. In this year's survey, we captured data across eight characteristics: age, disability status, ethnicity, gender, neurodiversity, sexual orientation and socio-economic background. We also asked firms to tell us about the caring responsibilities of their employees.

The data in figure 2 show the profile of UK investment management employees in 2023 by age, gender and ethnicity – the characteristics with the highest disclosure rates.

- A third (34%) of employees are under 35 years of age – the majority of younger employees are aged between 25 and 34 at 28% of the total workforce. The data shows a relatively young workforce. A further 43% of employees are aged 35-49, the highest percentage by age group. Just over a fifth of employees are aged between 50 and 64 and a further 1% are over the age of 65.
- Just over half (53%) of the workforce is male and 41% are female. Non-disclosure rates for gender are 6% in 2023, which makes it difficult to see if the percentage of female employees is in fact closer to the 51% of the UK population that is female according to the 2021 census.
- Two thirds (62%) of employees are White, with Asian being the next most represented group at 10%. Black employees account for 3% of the workforce and 2% of employees come from a mixed ethnicity background. Non-disclosure rates on ethnicity are higher than for gender and age at 18%.

FIGURE 2: PROFILE OF UK INVESTMENT MANAGEMENT EMPLOYEES (2023)



This year, we saw an increase in firms asking for data on a wider group of characteristics than age, gender and ethnicity: more firms are collecting data on disability, sexual orientation and socio-economic background from their staff compared with last year. The data also suggests an improvement in non-disclosure rates from employees, indicating that they may be becoming more comfortable with providing demographic information. However, the response rates for some demographic data collected from firms remain too low for us to publish industry wide data, particularly on neurodiversity.

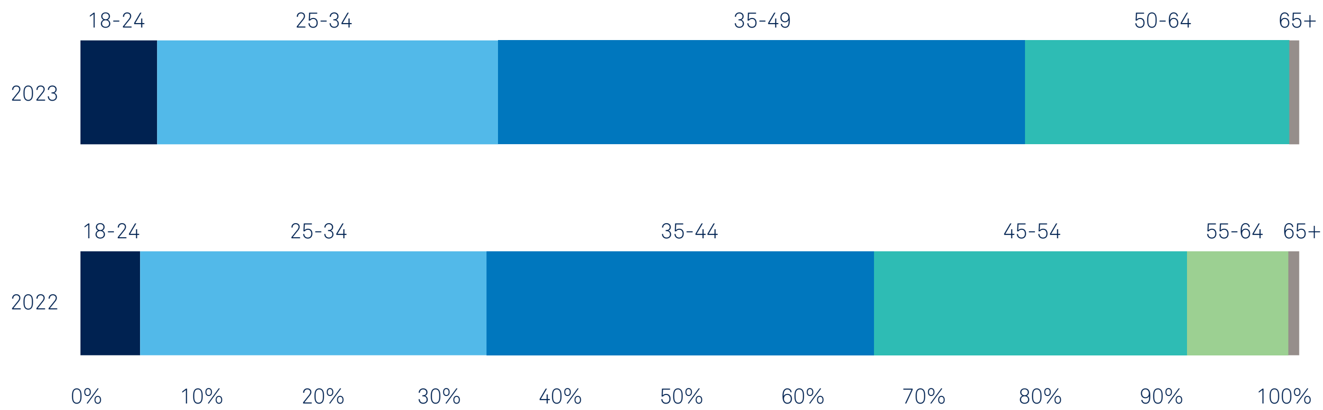
Here, we compare the profile of investment management employees in 2023 with 2022. We also, where relevant, make comparisons with nationally representative data from the 2021 census.

AGE

Chart 5 shows the percentage of employees split by different age groups in 2022 and 2023. The age group bands in the 2023 survey do not align directly with the 2022 survey. However, in some age groups, we can make a direct comparison:

- **18-24 year olds:** we have seen a one percentage point increase in the proportion of employees aged 18-24 in 2023 to 6%.
- **25-34 year olds** continue to account for 28% of the workforce in 2023 with no change year-on-year.
- Around a third of the investment management workforce is under the age of 35, which shows that employees are relatively young.
- The **largest group** of employees likely falls within the **35-50 age range**. In 2023, 35-49-year-olds accounted for 43% of the workforce. Demographic data tends to remain relatively stable year-on-year, so it is reasonable to assume a similar distribution in 2022. In fact, 2022 data shows that 34% of employees were aged 35-44, with an additional 25% aged 45-54.
- The 2023 data show that 22% of employees are **aged 50-64**. The nearest comparison in the 2022 age group is the 55-64 age band, which accounted for 9% of employees.
- In each year, 1% of the workforce is **aged over 65** – the lowest proportion of employees.

CHART 5: **AGE PROFILE OF INVESTMENT MANAGEMENT EMPLOYEES (2022 & 2023)**



DISABILITY

Chart 6 shows the proportion of staff directly employed in the investment management industry disclosing a disability is 4.3% in 2023, up from 3.3% the previous year. Additionally, the proportion of firms collecting data on disability has risen from 63% in 2022 to 71% in 2023 (see chart 2 on page 10). A matched sample analysis indicates that average response rates from employees have remained stable, with 55% disclosing their disability status this year compared to 54% last year. 2023 data from the Department for Work and Pensions (DWP) Family Resources Survey [3] suggests that 23% of the UK working age population has a disability. Disability can encompass a broad range of characteristics from mental health to physical impairments and unless tightly and consistently defined, it is open to significant interpretation, which hampers any meaningful comparison with nationally representative statistics. If 45% of employees have chosen not to disclose this data in response to their firms' request, it remains difficult to see the true picture.

CHART 6: THE PERCENTAGE OF INVESTMENT MANAGEMENT EMPLOYEES DISCLOSING A DISABILITY (2022-2023)

[3] The DWP survey asked respondents two core questions: did they have a physical or mental health condition or illness that has lasted or is expected to last 12 months or more, and whether the condition and/or illness reduces their ability to carry out day-to-day activities. If they answered yes to both, they were considered disabled.

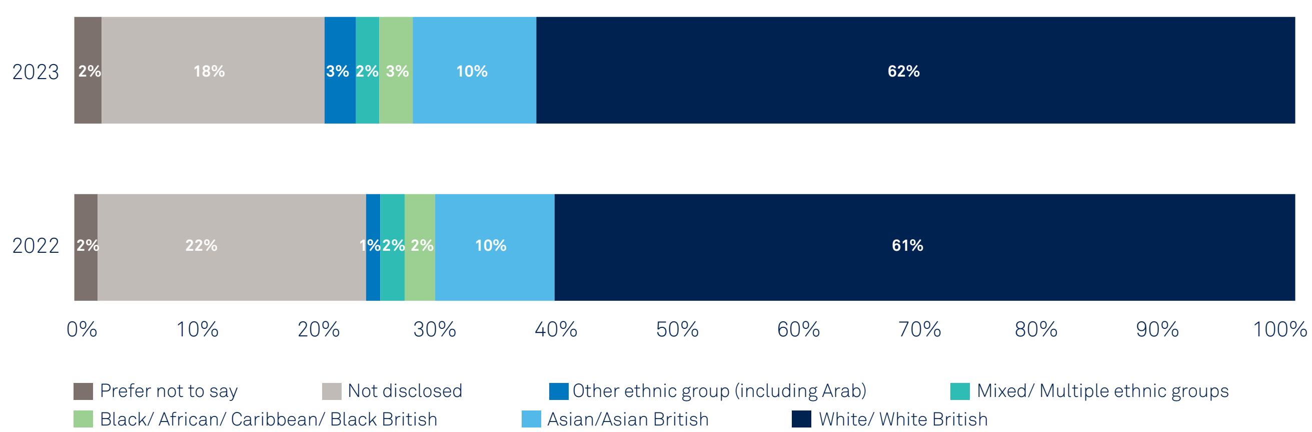
ETHNICITY

Data on ethnicity is widely collected by investment management firms, with almost all (92%) of the firms surveyed collecting this data, up from 82% last year (see chart 2 on page 10). Firms are now routinely asking employees to provide ethnicity data when they are onboarded, alongside age and gender data. Whilst non-disclosure rates on age and gender are low, a far higher proportion of investment management employees do not disclose their ethnicity. Chart 7 shows that in 2023, we have seen non-disclosure rates fall to 18% from 22% in 2022. Despite this fall, the fact that non-disclosure remains relatively high indicates that there is still some discomfort among employees when it comes to sharing ethnicity information. As the chart shows, there is very little change in the data year-on-year with the percentage of employees that are White rising by 1 percentage point to 62%, the percentage of Black employees rising by the same percentage to 3% and a 2% increase in employees from other ethnic groups.

The government publishes data on the UK working age population by ethnicity based on the 2021 census data.[4] If we compare the ethnicity of investment management employees with the ethnicity of UK working age adults, we find that:

- The industry has a significantly lower representation of White (62%) compared with the UK working age population in the 2021 census (81%). If we see the national working age ethnicity data as an indicator of the likely ethnic representation of investment management industry employees, this suggests that a high proportion of employees not disclosing their ethnicity data are White.
- The percentage of Asian employees is the same as the Asian UK working age adult population at 10%.
- The percentage of Black investment management employees (3%) is 1% lower than the UK working age adult population. This gap could suggest that there is slightly lower representation of Black people employed in investment management than in the wider working age population.
- The percentage of working age people identifying as mixed raced is 3% compared with 2% of investment management employees and other ethnic groups account for 2% – the same percentage as employed in the investment management industry.

CHART 7: THE PERCENTAGE OF INVESTMENT MANAGEMENT EMPLOYEES BY ETHNICITY (2022-2023)



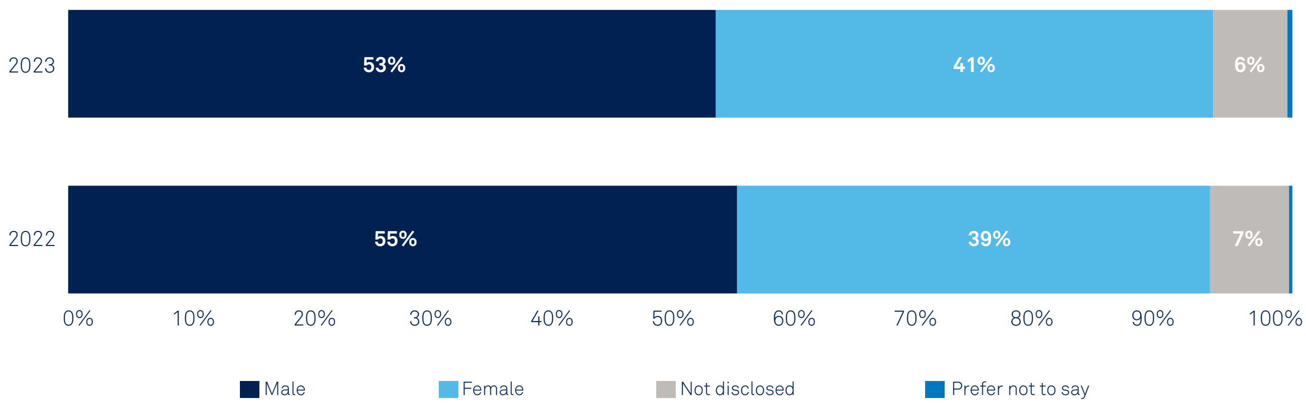
[4] Ethnicity facts and figures data, March 2023: ***Working age population - GOV.UK Ethnicity facts and figures***. The data is taken from the 2021 census and does not include people who did not answer the question about ethnicity. Response rates were 97%. Working age population data is based on the UK population aged 16-64.

GENDER

Gender, alongside age, is the most collected data point with 100% of responding firms collecting it in 2023, up three percentage points from last year on a matched sample basis (see chart 2 on page 10). The survey data show that 92% of employees are willing to disclose their gender, up two percentage points from the previous year. As with age, the high disclosure rate may be attributed to firms requesting this information during the onboarding process. As this data is regularly collected, employees are used to providing this data and this could help them feel comfortable with disclosing it.

The survey data show that 41% of investment management employees are women, a slight increase of two percentage points from last year (39%). Further analysis suggests that the rise in the percentage of women employed by investment managers is due to an increase in the percentage of women disclosing their data rather than firms employing more women: the 2023 data is a more accurate representation of the gender balance of investment management employees. In the matched sample analysis, which helps us to compare like data with like between 2022 and 2023, we see non-disclosure rates falling from 8% to 1% (see chart 4 on page 12).

CHART 8: THE PERCENTAGE OF INVESTMENT MANAGEMENT EMPLOYEES BY GENDER (2022-2023)



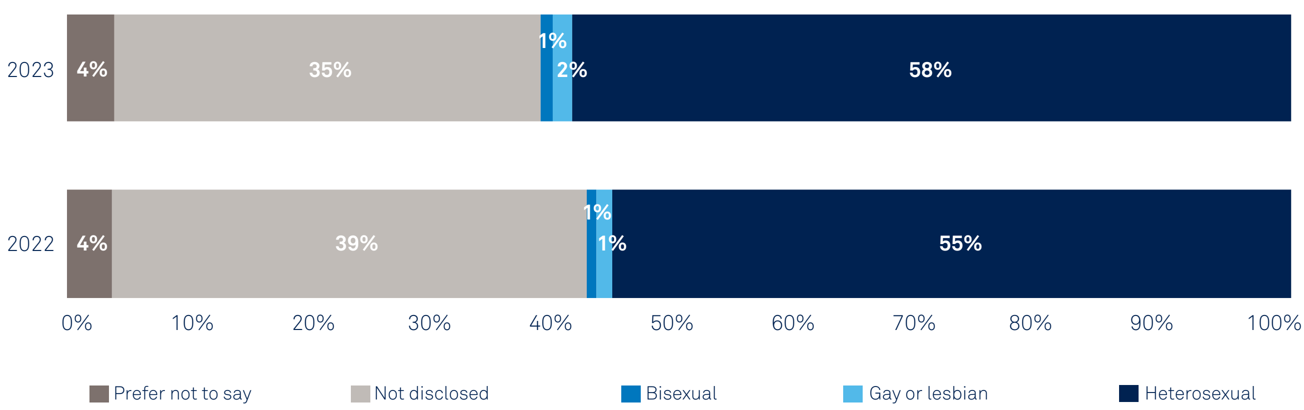
SEXUAL ORIENTATION

Just over two thirds (71%) of firms participating in our survey report to us that they are now collecting sexual orientation data from their employees, an 8% increase on the previous year. As illustrated below in chart 9, non-disclosure rates among employees are high at 35% but coming down. It is notable that the 2021 census, which we have used as a comparator, was the first census to collect data from the UK population on sexual orientation. The inclusion of a sexual orientation question is a relatively recent addition to demographic data collection in the UK.

Looking at the data reported on the sexual orientation of investment management employees, it tells us that:

- Heterosexual employees are the largest group at 58%, up by 3% from the previous year. National census data show that 89% of the UK population are heterosexual, and if you exclude employees that do not disclose their data from the response rates, heterosexual employees would make up 89% of employees disclosing their data.
- Gay and lesbian employees make up 2% of the investment management workforce, which is a 1% increase on the previous year aligning to the same percentage as the gay and lesbian UK national population.
- The percentage of the workforce that are bisexual has remained consistent at 1% and this is the same percentage as the national population.
- 4% of employees disclosed that they prefer not to say – the same percentage as last year.

CHART 9: **THE PERCENTAGE OF INVESTMENT MANAGEMENT EMPLOYEES BY SEXUAL ORIENTATION (2022-2023)**



SOCIO-ECONOMIC BACKGROUND

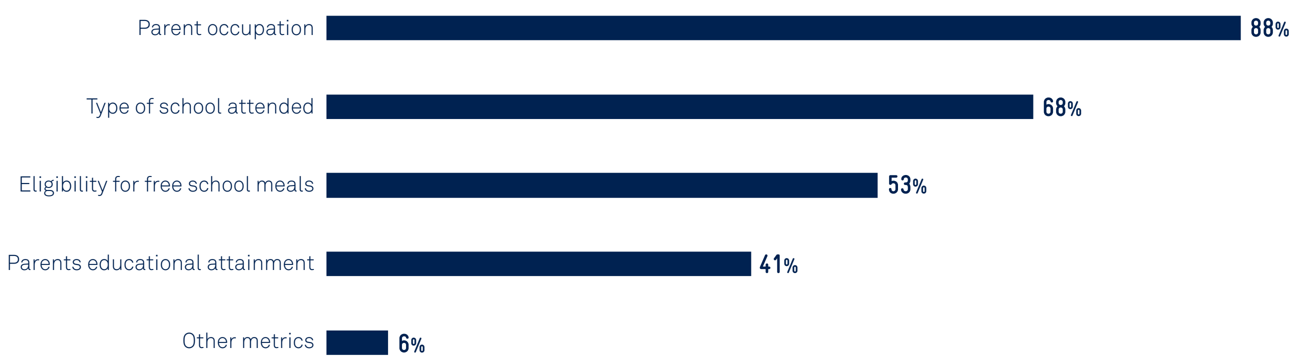
Encouragingly, socio-economic background (SEB) data collection has expanded significantly, with 55% of firms now collecting this data, up from 39% last year – a shift partly driven by more firms participating in our survey. Additionally, a further 24% of firms plan to begin SEB data collection in the future. Most firms not planning to collect SEB data are small firms with fewer than 50 employees, where the validity of data collection can be compromised by the small sample size.

DETERMINING SOCIO-ECONOMIC BACKGROUND

Chart 10 shows that of the firms collecting data on SEB, the vast majority collect data on parents' occupation (88%). Type of school attended is also a fairly common question, with two thirds of firms posing this question to employees. Organisations were less likely to ask about free school meals (53%) or parents' educational attainment (41%) and very few firms tried to collect metrics that were not included in the four questions recommended by the Social Mobility Commission.

Our survey suggests a disparity in SEB representation within investment management, with only 16% of staff identifying as from working-class backgrounds, considerably lower than national polling data, showing that nearly half of the UK public identify as working-class. However, due to the small sample size of our data, it is not statistically valid to draw definitive conclusions about the proportion of staff from working class backgrounds. Despite increased collection, almost 35% of firms collecting SEB data could not share it with us, due to low response rates. For firms collecting SEB data, employee engagement is mixed, with an average response rate of 45%, slightly up from 41% last year.

CHART 10: THE PERCENTAGE OF FIRMS COLLECTING SEB DATA BY TYPE OF METRIC (2023)



NEURODIVERSITY

The percentage of investment management firms collecting data on neurodiversity is 39% this year, a significant jump from the 26% of firms collecting this data the previous year (see chart 2 on page 10). A further 32% of firms report that they plan to collect this data in the future. As only one third of firms responding to our survey collect data on neurodiversity, we do not have a statistically significant set of data to be able to analyse the percentage of employees that are neurodiverse.

It is also difficult to obtain statistics on the neurodiverse UK population because this is not a question that is asked in the census. Estimates from the University of Edinburgh suggest that it could be up to 15% of the UK population. Given firms' intention to start collecting more data and increasing awareness and diagnosis of neurodivergence including autism, dyslexia and ADHD, it seems likely that we will start to see more robust data sets emerge on neurodiverse employees in future surveys.

A CLOSER LOOK AT CARING RESPONSIBILITY

Balancing caring responsibilities is a significant consideration for both employees and organisations, as many individuals juggle their workloads with the demands of balancing caring for children, elderly parents and other loved ones. This dual role can lead to increased emotional stress, time constraints and financial strain, particularly for the "sandwich generation" managing both childcare and eldercare. Firms are placing greater emphasis on creating a supportive culture for employees with diverse caregiving responsibilities.

Whilst caring responsibilities is not strictly a diversity data characteristic, collecting and analysing data on caring responsibilities can be a helpful tool in building an inclusive workplace culture. Our survey shows that although this data is collected by the lowest proportion of investment management firms (32%) of any characteristic, when employees are asked to provide this data, their disclosure rates are reasonably high at 66%. Firms could test out including a question on caring responsibilities in staff surveys as a two thirds response rate suggests that employees can see the benefits in providing this data.

We asked firms to tell us about their employees' parental caring responsibilities – i.e. caring for children and about other caring responsibilities, which is most likely to be caring for elderly parents. Whilst we cannot report the data due to the low response rate, the responses we did receive indicate that there is a year-on-year increase in the percentage of employees with parental and other caring responsibilities.

SPOTLIGHT: CARING RESPONSIBILITY IN PRACTICE

Aviva Investors' Commitment to Supporting Employees with Caregiving Responsibilities

In 2019, Aviva Investors introduced a comprehensive Carers Policy to support employees with caregiving responsibilities for family members. This policy grants employees up to 35 hours of paid carer time per year, with the provision being pro-rated for part-time employees. This initiative underscores this firm's dedication to fostering a supportive work environment that acknowledges the diverse needs of its workforce.

To further assist employees in balancing their work and caregiving duties, Aviva Investors implemented the Workplace Adjustment Passport. This innovative document allows employees to formalise their care responsibilities and necessary work adjustments. The Workplace Adjustment Passport provides a significant degree of flexibility in managing caregiving responsibilities and by using the passport, employees can effectively communicate their needs to their managers, ensuring that appropriate adjustments are made to support their caregiving duties.

Employees can also agree adjustments with their managers, such as taking time off for appointments and compensating for the time later. This flexibility is crucial in helping employees maintain a healthy balance between their professional and personal lives.

Through these initiatives, Aviva Investors demonstrates its commitment to creating an inclusive and supportive workplace, enabling employees with caring responsibilities to thrive both at work and in their caregiving roles.

"We can make this work"

"I found myself experiencing sudden unexpected challenges due to my father's progressive dementia. It was extremely distressing and emotionally draining. I was increasingly anxious about how I would manage and support him alongside the demands of my job – I just couldn't see how I would be able to make it all work. It felt like things were spiralling out of control and at one point, I thought I might have to leave the workforce altogether to manage caring for my father. Because of the trust I had in my manager, I was able to speak open and honestly about what was happening. He instantly listened, showed empathy and let me know we could make this work. He provided genuine reassurance and helped me regain control at a time when I felt completely lost.

One particularly challenging day when I was in the office, he could see I was struggling, he suggested I go home so I could deal with the situation without having to worry about work at the same time. In the weeks that followed I had regular check-ins. He demonstrated such kindness and understanding during these conversations and made me feel so valued. He signposted the Carers Policy, so I could take paid time off to support my father. We explored various adjustments – including a change to my work pattern so I could have more time to focus on my caring role. I can't tell you the difference this has made. This relatively small adjustment has improved my wellbeing and has enhanced my confidence. I feel valued as an employee and a renewed sense of commitment to my manager and the team."

AGE, ETHNICITY AND GENDER- AN INTERSECTIONAL BREAKDOWN

The previous section presented the breakdown of the workforce looking at just one characteristic at a time. This section provides a view of the workforce looking at the intersection of characteristics, providing a more detailed profile of investment management employees.

We first look at the intersection between gender and ethnicity. For the first time this year, we have included two further segmentations of the workforce that explore the breakdown of employees by age and gender, as well as age and ethnicity.

ALL STAFF BREAKDOWN BY GENDER AND ETHNICITY

Table 1 offers an intersectional breakdown of people directly employed within the UK investment management industry by gender and ethnicity. Here we look at men and women by ethnic group as a proportion of the total investment management workforce but we also look at each group individually, for example just looking at Asian investment management employees, what proportion of this ethnic group are men and what percentage are women?

As we discussed in the previous section, the proportion of men in the industry remains higher than that of women (53% vs. 41%), consistent with last year's data. The proportion of men employed in investment management is higher in all ethnic groups apart from the Black population, where more Black women are employed in the industry than Black men (1.4% vs. 1.2% for men). Black women make up 52% of Black investment management employees and if we look at the 2021 census data, we can see that women make up 53% of the UK Black population compared with 47% men.

Overall, 19% of female staff in investment management are from non-white backgrounds compared with 17% of male staff, though men have a marginally higher non-disclosure rate.

TABLE 1: AN INTERSECTIONAL BREAKDOWN OF ALL STAFF BY GENDER AND ETHNICITY

	Ethnicity							
Gender	Asian/Asian British	Black/ African/ Caribbean / Black British	White/ White British	Other ethnic group (including Arab)	Mixed/ Multiple ethnic groups	Prefer not to say	Not disclosed	**Total**
Female	4.3%	1.4%	26.5%	1.2%	0.8%	0.6%	5.7%	**40.6%**
Male	5.5%	1.2%	33.8%	1.3%	1.0%	1.4%	8.6%	**52.8%**
Other	0.0%	0.0%	0.1%	0.0%	0.0%	0.3%	0.1%	**0.5%**
Not disclosed	0.3%	0.1%	1.7%	0.0%	0.1%	0.0%	3.9%	**6.1%**
Total	**10.1%**	**2.7%**	**62.1%**	**2.6%**	**1.9%**	**2.3%**	**18.3%**	**100.0%**

ALL STAFF BREAKDOWN BY AGE AND GENDER

Table 2 illustrates the breakdown of the direct headcount of the UK investment management industry by age and gender.

The difference between the percentage of men and women starts increasing in the 35-49 year old age group: The analysis of the intersectional data on age and gender appears to show that a gap between the percentage of men and women employed in investment management starts to open up in the 35-49 age group, which is the largest employee age group at 43% of the total workforce. This is arguably at an age when caring responsibilities for children can have a significant impact on women's experience of working. 18% of the investment management workforce are women aged 35-49 compared with 23% of men who fall into the same age group. Non-disclosure rates on gender for 35-49 year olds are also the lowest of any age group at 2%.

We see a noticeable decline in female representation in the 50-64 year old age group: which makes up 22% of investment management employees. Women aged 50-64 account for 8% of the total investment management workforce and 50-64 year old men are 12%. If we only look at employees aged 50-64, circa 38% of the workforce of this age group is female, compared with 56% male, with a 1% non-disclosure rate. There is an 18% gap between the proportion 50-64 year old women and men working in the industry.

Our conversations with member firms suggest several factors contributing to the increase in gender gap for employees over the age of 35. Women may be leaving the workforce to care for children and not returning, while others become part of the 'sandwich generation', balancing responsibilities for both children and aging parents. Parental caring responsibility is also having an impact as highlighted in the case study from Aviva Investors on page 22. Additionally, women in the 50–64-year age group often experience menopause, which can impact their work life. According to the British Menopause Society, the average age of women hitting menopause is 51, with most women experiencing it between 45-55.

Whilst our data suggest that the proportion of female employees in investment management starts to fall over the age of 35, this decline accelerates in the 50-64 age group. Interestingly, however, the latest ONS employment data shows that the employment rate for women aged 50 to 64 in the UK has risen substantially in recent decades, reaching approximately 67.6%. Whilst this employment rate is not directly comparable to our survey data, the broader trend indicates that more women aged 50-64 are staying in the workplace.[5]

TABLE 2: AN INTERSECTIONAL BREAKDOWN OF ALL STAFF BY AGE AND GENDER

	Gender						
Age	Female	Male	Non-binary	Other	Prefer not to say	Not disclosed	**Total**
18 - 24	2.4%	2.9%	0.0%	0.0%	0.0%	1.0%	**6.3%**
25 - 34	11.7%	13.9%	0.0%	0.0%	0.1%	2.2%	**28.0%**
35 - 49	17.8%	23.4%	0.0%	0.0%	0.1%	1.8%	**43.1%**
50 - 64	8.3%	12.2%	0.0%	0.0%	0.2%	1.1%	**21.7%**
65 +	0.3%	0.4%	0.0%	0.0%	0.0%	0.1%	**0.7%**
Prefer not to say	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Not disclosed	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	**0.2%**
Total	**40.6%**	**52.8%**	**0.0%**	**0.0%**	**0.4%**	**6.1%**	**100.0%**

[5] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/lf2v/lms

However, the reasons why these women remain employed vary. For some, the need to work may be driven by external factors like the rising state pension age and the increases in the cost of living. For others, it is a personal choice to continue pursuing fulfilling professional opportunities. Many senior industry leaders are also in the 50-64 age group. The 2023 Women in Finance Charter Annual Review cites the cultural barriers within firms, a lack of role models and work life balance challenges as contributing factors to the lower representation of women in senior leadership roles in financial services.

To gain a deeper insight into why women over 50 are underrepresented, firms should focus on gathering direct insights through focus groups and exit interviews to help to identify reasons for women's departures. Around 62% of firms analyse exit interview data and 46% host formal career development discussions, both of which are positive approaches. By conducting this type of analysis, firms can uncover valuable insights into women's experiences and motivations, enabling firms to address these issues effectively.

Female employees aged 18-24 represent the lowest percentage of the investment management workforce, comprising only 2.4%. Within this age group, women make up 38% compared to 46% for men, a smaller gap than in the 35-49 and 50-64 age groups.

ALL STAFF BREAKDOWN BY AGE AND ETHNICITY

Table 3 provides a breakdown of direct employment in the investment management industry by age and ethnicity for 2023. We make the following observations:

Ethnic diversity decreases with age. Almost a quarter (23%) of those in the 18-24 year old age bracket are non-white compared with just 9% of 50-64 year olds who are non-white.

Those from Black and mixed/multiple ethnic group backgrounds are significantly younger on average, with over half of the people from these backgrounds falling in the 18-34 year old bracket compared with a third (30%) of white employees. This suggests that strategies adopted by firms, such as through Investment 20/20, have been effective in attracting candidates from non-white ethnic backgrounds into entry level roles. However, it appears that these initiatives are largely focused on entry-level positions.

TABLE 3: AN INTERSECTIONAL BREAKDOWN OF ALL STAFF BY AGE AND ETHNICITY (2023)

	Ethnicity							
Age	Asian/Asian British	Black/ African/ Caribbean / Black British	White/ White British	Other ethnic group (including Arab)	Mixed/ Multiple ethnic groups	Prefer not to say	Not disclosed	**Total**
18 - 24	0.8%	0.4%	3.7%	0.2%	0.2%	0.1%	1.6%	**6.9%**
25 - 34	3.3%	1.1%	16.9%	0.9%	0.8%	0.9%	5.9%	**29.6%**
35 - 49	4.8%	0.9%	26.6%	1.2%	0.7%	1.0%	6.5%	**41.7%**
50 - 64	0.9%	0.3%	15.0%	0.4%	0.2%	0.5%	3.2%	**20.5%**
65 +	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.2%	**0.7%**
Prefer not to say	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Not disclosed	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%	0.1%	**0.5%**
Total	**9.6%**	**2.7%**	**64.0%**	**2.7%**	**1.9%**	**2.4%**	**16.7%**	**100.0%**

3. RECRUITMENT AND RETENTION

KEY FINDINGS

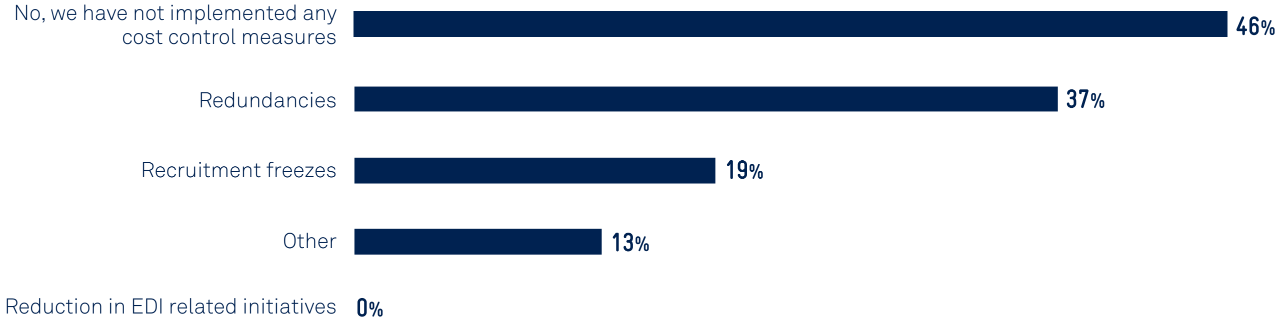
- In 2023, 54% of firms adopted cost cutting measures. Among these, 37% of firms implemented redundancies, while 19% implemented recruitment freezes.
- In 2023, 45% of executive leadership positions and 42% of senior management roles were filled by women, up from 39% and 38%, respectively.
- Turnover rates are highest among Asian and Black employees, with the lowest turnover rates among White and mixed ethnicities.
- The non-disclosure rates are highest amongst entry-level recruits aged 18-24 at 16% more than for any other age group, indicating a reluctance of younger employees to share personal data.

The IA's Investment Management Survey has been tracking the number of staff directly employed by investment management firms for over 20 years. The 2023-2024 survey reveals that the industry's headcount declined by 1%—the first year-on-year reduction since 2008, during the Global Financial Crisis (GFC). The GFC marked an extremely challenging period for financial services worldwide. However, in the years since, the industry successfully grew assets under management (AUM) at an average compound annual growth rate of 9%. By 2021, AUM had reached £10 trillion, but this figure fell to £9.1 trillion in 2023.

Firms' revenues, typically derived as a percentage of AUM, are directly impacted when AUM declines. The 12% drop in 2022—a record fall—prompted firms to implement cost-control measures, particularly focusing on workforce management. The two most common strategies are redundancies and hiring freezes. In this chapter, we explore how firms have navigated recruitment and retention policies amid the most challenging market conditions in 16 years.

This year, we asked firms to report on the cost control measures that they have implemented, providing context about the current environment for investment management employees. Chart 11 provides some context regarding the fall in the number of people directly employed by IA members. Our survey finds that over half (54%) of firms have implemented some type of employee-related cost control measures over 2023. Whilst significant, this still means that nearly half (46%) have not implemented any cost control measures at all. The most common method of cost control used was redundancies - 37% of responding firms have implemented redundancies as a cost-cutting measure. When we look at the data on cost control measures by firm size, we can see that nearly half of redundancies came from firms with over 250 employees (52%) showing that these firms were most likely to reduce their headcount. Recruitment freezes were used by nearly a fifth (19%) of firms. The data show that reducing spend on EDI related initiatives has not been used by responding firms despite cost pressures, suggesting that fostering EDI remains an important strategic objective for investment managers.

CHART 11: COST CONTROL MEASURES IMPLEMENTED (2023)



Looking at the 1% decline in industry headcount overall, it is important to understand more about how firms are re-calibrating their recruitment activity as they fall under pressure to reduce costs and run leaner businesses.

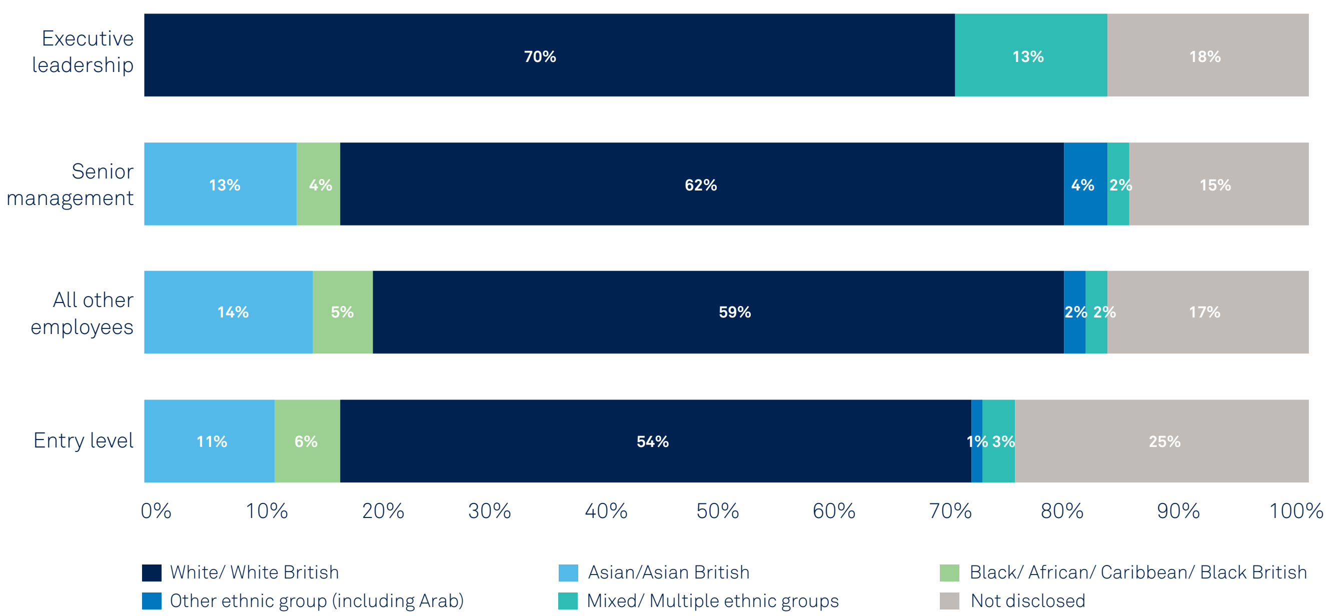
One area that can be easier for firms to collect data on and to track is on new hires. We have collected data on new hires across four levels of seniority this year: entry-level, senior management, executive leadership and 'all other employees'. Our data suggest that firms are still actively recruiting across all levels of seniority. It's important to note that the 'all other employees' category included entry-level staff in last year's survey, and therefore making direct annual comparisons for these two categories is unfeasible. We therefore broke out entry-level as a category for the 2023 survey. However, we have been mindful of keeping it simple to allow more firms to easily provide this data to us and so we have not tried to further break down the 'all other employees' category.

HIRES BY ETHNICITY AND SENIORITY 2023

- Looking at hires across all ethnic groups including white and non-white in 2023, our data show that 0.3% of hires were to executive leadership roles, 3.7% were to senior management, 19.6% were to entry level roles and the vast majority fall under the category of 'all other employees' at 76.4%.
- The percentage of employees hired from non-white backgrounds at senior management, entry level and 'all other employees' levels from non-white backgrounds were broadly similar, accounting for over a fifth of all hires at each of those levels.
- **Executive leadership hires:** 70% of executive leaders hired in 2023 identified as White, a decrease from 80% in the previous year. Significantly, the proportion of individuals hired with mixed/multiple ethnicities increased to 13%. Executive leaders account for 0.5% of employees recruited in 2023. There are far fewer roles on executive committees, so yearly variability in firms hiring can significantly affect the data on new hires.
- **Senior management hires:** In 2023, 62% of senior management hires were White but candidates were hired from across all the other ethnic groups. 13% of hires were Asian, 4% were Black, 4% were from other ethnic groups and 2% were mixed race.
- **Entry-level hires:** The newly introduced data point on entry-level hires reveals a higher non-disclosure rate of 25%, surpassing that of other positions. Despite this challenge, individuals from non-white ethnic groups comprised 24% of new hires. Within this category Asian individuals represented the largest cohort, accounting for 11% of entry-level hires.
- **All other employees:** The majority (75%) of last year's recruitment occurred at the 'all other employees' level, a category that included entry-level staff in last year's survey. Among those hired into 'all other employees', 59% were White, 14% were Asian, and 5% were Black.

These recruitment statistics, particularly at entry-level, indicate that firms were hiring across different ethnic groups in 2023 and widening their talent pools. However, as we discuss in previous sections of this report, the higher non-disclosure rates for ethnicity compared with age and gender can make it more challenging to draw an accurate picture of the new hires by ethnicity.

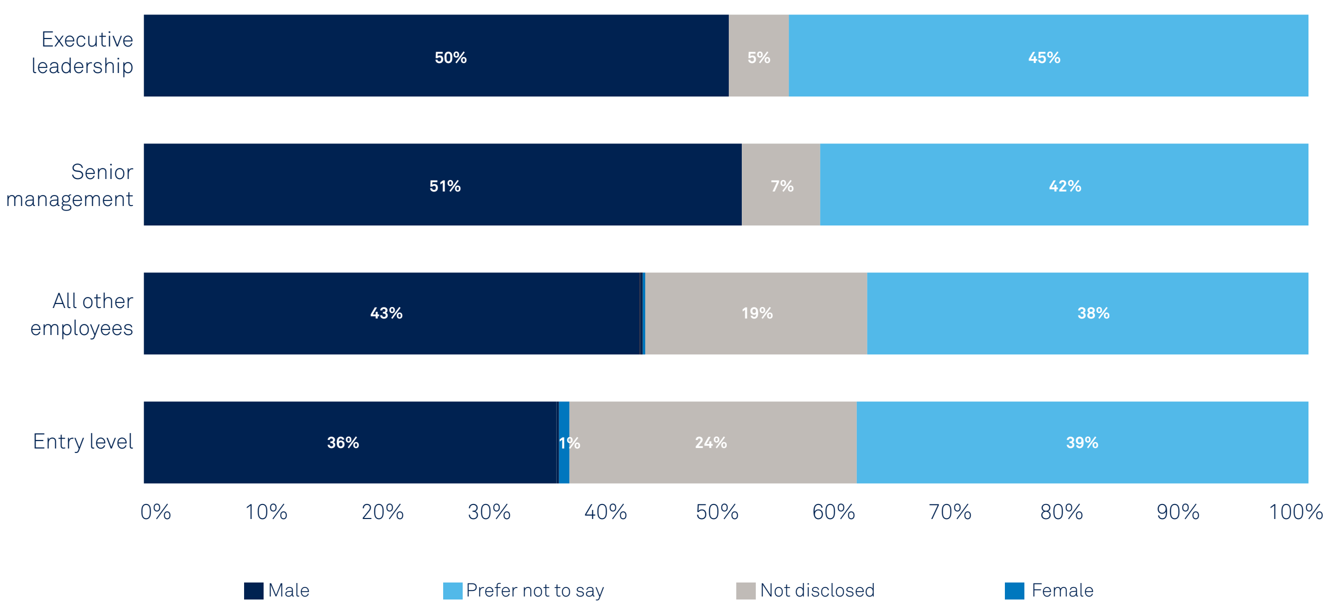
CHART 12: HIRES BY ETHNICITY AND SENIORITY (2023)



HIRES BY GENDER AND SENIORITY 2023

- Among new hires, 45% of executive leadership positions and 42% of senior management roles were filled by women, reflecting an increase from 39% and 38% in 2022 respectively. Non-disclosure rates on gender for executive leaders are 5% and are 7% for senior management.
- For entry-level recruits, 39% of new hires were women and for 'all other employees', the percentage was 38%. This is below the proportion of women hired into senior roles. However, we saw high non-disclosure rates on gender for entry-level candidates at 24% and at 19% for 'all other employees, making it difficult to gain a complete picture of gender demographics across these groups. Entry-level recruits are likely to be younger and we saw in our intersectional analysis of age and gender that the youngest age group had the highest non-disclosure rates on gender, which again indicates that younger employees are less likely to disclose their gender.
- This data highlights that there is increasing representation of women at senior levels amongst recent hires. The gender balance of senior leadership teams is under greater scrutiny. Higher non-disclosure rates of 24% indicate the need to engage new entry level staff on the purpose and use of demographic data collection during the onboarding process. A recent Deloitte survey on GenZ and Millennials indicates that Gen Z is generally cautious about sharing their demographic data. Many Gen Z respondents express concerns about privacy and data security, which influences their willingness to share personal information. Additionally, the survey found that Gen Z values transparency from organisations regarding how their data will be used and protected. They are more likely to share their demographic data if they trust that the organisation will handle it responsibly and ethically.[6]

CHART 13: HIRES BY GENDER AND SENIORITY (2023)



[6] https://www.deloitte.com/global/en/issues/work/content/genz-millennialsurvey.html

TURNOVER RATES

Turnover is a broad indicator of how well the industry retains talent, but low turnover can also present challenges for junior talent looking to advance. As firms continue to implement processes for collecting this data, we can share some high-level insights from a limited data sample this year.

In 2023, the turnover rate for the financial sector in the UK was approximately 13%,[7] while our estimate for the average turnover in investment management is slightly lower, at approximately 10%. In the immediate aftermath of the pandemic, turnover rates were higher when nationally many people were able to switch jobs because of higher numbers of vacancies and the acceleration of remote working allowed people to work more flexibly and from towns and cities that were not necessarily close to their employer's headquarters or offices. Recent trends show that the turnover rate of the UK workforce has stabilised, with employees increasingly choosing to remain in their roles. Part of this is simply to do with fewer vacancies. ONS data show that the number of national vacancies peaked in May 2022 and has been falling since then. In a more uncertain economy, employers are less likely to hire staff. There has also been a rising trend towards working a set number of days from the office, which offers less flexibility and has seen employees move back to within closer proximity of the office. The outlook for the jobs market is likely to shift as interest rate fall, which could increase the number of vacancies if business confidence and investment improves sufficiently. This could see higher turnover rates in future surveys as more staff move to new roles.

The survey indicates that the highest turnover rates were for Asian employees at 12%, followed by Black staff at 10%. The lowest turnover rates are among White employees and employees from Mixed or multiple ethnicities, both at 7%.

CHART 14: EMPLOYEE TURNOVER BY ETHNICITY (2023)

[7] *Average Employee Turnover Rate in the UK – UK Money*

The overall turnover rate for women is higher at 9%, compared to 7% for males. This trend was particularly evident among staff in both executive leadership and the 'all other' category, which includes the majority of the workforce between entry-level and senior management. In contrast, males had higher turnover rates in senior management of 2%, where their representation is more than double, as well as at entry-level with an average turnover rate of 7% vs 4% for women.

The higher turnover rate among women compared to men at executive and 'all other category' levels, alongside the lower representation of women at entry level (10% lower than males at 41%) highlights a significant challenge for firms in developing an internal female senior talent pipeline. This issue is supported by a recent study that found over the past decade, the turnover rate for female fund managers has been approximately 42%, significantly higher than the 28% turnover rate for their male counterparts.[8]

While considerable efforts have been made to broaden talent pools and refresh recruitment processes, there remains a need for more targeted focus on retention rates among certain areas of the workforce.

CHART 15: EMPLOYEE TURNOVER BY GENDER (2023)

[8] https://www.deloitte.com/uk/en/Industries/financial-services/blogs/understanding-the-barriers-to-female-progression.html

4. PAY GAPS

KEY FINDINGS

- There continues to be marginal progress on the gender pay gap year-on-year.
- There has been significant improvement in disability collection efforts and employee disclosure rates, but comprehensive reporting is still not possible as disclosure rates remain low.

GENDER PAY GAP

As of 2017, all firms with more than 250 employees are mandated to publish their Gender Pay Gap (GPG) and includes metrics that look at the difference between the average pay for men and women within an organisation. In late 2024, the new labour government introduced the Employment Rights Bill which has added additional requirements for firms to create an action plan to demonstrate how they are closing the gap, thereby making reporting an even bigger exercise for employers.

The analysis presented in this section is based on data in the public record and data published in our 2019 report entitled 'Closing the Gap'[9], in addition to data collected through our 2023 and 2024 editions of this survey. We have been able to produce a short analysis of the progress made by IA member firms regarding the gender pay gap over the past four years. Much of the interventions that firms have put in place to address the gap focus on building a pipeline of diverse talent. As such we do not expect to see large-scale changes in the data year-on-year.

Tables 4 and 5 display the average of the gender pay gap metrics for a matched sample of 37 firms for which we have data for 2018, 2022 and 2023. The firms in this sample collectively represent approximately 85% of UK assets under management and 67% of the UK direct headcount (approximately 28,200 people).

The table below outlines the headline gender pay gap figures.

TABLE 4: HEADLINE GENDER PAY GAP (2018-2023)

	2018	2022	2023
Mean gender pay gap	31	24	23
Median gender pay gap	31	25	23
Mean bonus gap	65	57	56
Median bonus gap	55	46	44
% Men receiving a bonus	90	89	90
% Women receiving a bonus	89	87	89

[9] The Investment Association, "Closing the Gap" 2019.

We make the following observations:

- Both mean and median industry pay gaps have fallen between 2022 and 2023 to 23%, down from 24% and 25% respectively.
- These are the two metrics that have seen the biggest improvement over the last five years.
- Mean and median bonus gaps have also fallen compared with last year, from 57% to 56% and from 46% to 44%, respectively.
- When looking at firms individually, 40% of firms have recorded a fall in mean and median pay gaps, with 44% recording a rise in either mean or median pay gaps.

Table 5 records IA members' average gender balance across pay quartiles, where 'Lower' refers to the lowest paying jobs and 'Upper' refers to the highest paying jobs. The imbalance in gender at senior levels accounts for much of the pay differences within IA member firms.

- The gender balance across the four quartiles has remained broadly unchanged over the last five years.
- The highest-paying roles in the industry continue to be held by men, with women accounting for just 25% of these roles on average.
- By comparison, the lower quartile remains the only pay quartile in which women outnumber men, with women making up over half (54%) of the lowest-paying jobs in the industry on average.

EXTENDING PAY GAP REPORTING TO ETHNICITY AND DISABILITY

The government plans to extend the pay gap regime to include disability and ethnicity under the 2025 Draft Equality (Race and Disability) Act. Similar to the gender pay gap reporting, employers with 250 or more employees will be required to report their ethnicity and disability pay gaps, with the new requirements expected to enhance transparency, spotlight pay disparities and encourage employers to address these gaps.

The main challenge with both ethnicity and disability pay gap reporting is that, unlike gender data, which is typically collected during onboarding, this information relies on employees' willingness to self-report. To meet future reporting requirements, firms must achieve a minimum response threshold to aggregate data while maintaining anonymity.

TABLE 5: AVERAGE GENDER BALANCE ACROSS PAY QUARTILES (2018 -2023)

		2018	2022	2023
Lower	**Men**	44	47	46
	Women	56	53	54
Lower middle	**Men**	56	56	56
	Women	44	44	44
Upper middle	**Men**	66	67	66
	Women	34	33	34
Upper	**Men**	77	75	75
	Women	23	25	25

Ethnicity Pay Gap

Currently, 40% of all responding firms to this survey with more than 250 employees are voluntarily publishing ethnicity pay gap (EPG) reports. Among the matched sample of firms from this year and last year's surveys, 21% of firms calculate and publicly report the EPG, an increase from 13% last year. A further 13% of firms calculate the EPG but do not report it, down from 16% last year. This increase suggests that some firms are preparing for expected changes in reporting requirements.

However, many firms are not calculating their EPG, despite falling under anticipated legislation. Last years' report identified the main reasons for this included the lack of regulatory requirements (58%), absence of a standardised methodology (36%) and resource constraints (31%). Concerns about safeguarding employee confidentiality and accurately reflecting workforce demographics were also noted.

In 2023, the UK government published detailed guidance[10] for employers on measuring, reporting and addressing EPG differences. With new legislation approaching, firms need to improve data quality to align with the new proposals.

Disability Pay Gap

While our survey did not ask firms if they have started calculating their disability pay gap, the low collection rate for disability data suggests that significant progress is still needed, along with further engagement to build employee trust and improve response rates.

While firm's collection rates have improved year-on-year from 63% to 71% on a matched basis, average employee response rates remain low (though marginally improved from 54% last year to 55% this year). Due to the limited data on employees with disabilities in investment management, there is currently insufficient critical mass to report on the disability pay gap.

SPOTLIGHT: DISABILITY DATA COLLECTION

Disability covers a wide range of conditions, including physical, mental, certain illnesses and long-term impairments, making reliable and consistent data collection challenging.

Key issues include:

- Broad and inconsistent definition, leading to variability in data
- Limited awareness that various conditions can qualify as disabilities
- Employee reluctance to disclose due to fear of stigma
- Question framing that may skew results
- Technical challenges in integrating disability data into HR systems
- Ensuring strict data privacy to build employee trust

As mentioned in last year's report, nearly half of those living with a disability are fearful of sharing their condition or impairment at work. To help address this, it is important to clearly communicate why the data is being collected and how it could benefit disabled employees in the workplace.

[10] *Ethnicity pay reporting: guidance for employers - GOV.UK*

5. CULTURE& ACCOUNTABILITY

KEY FINDINGS

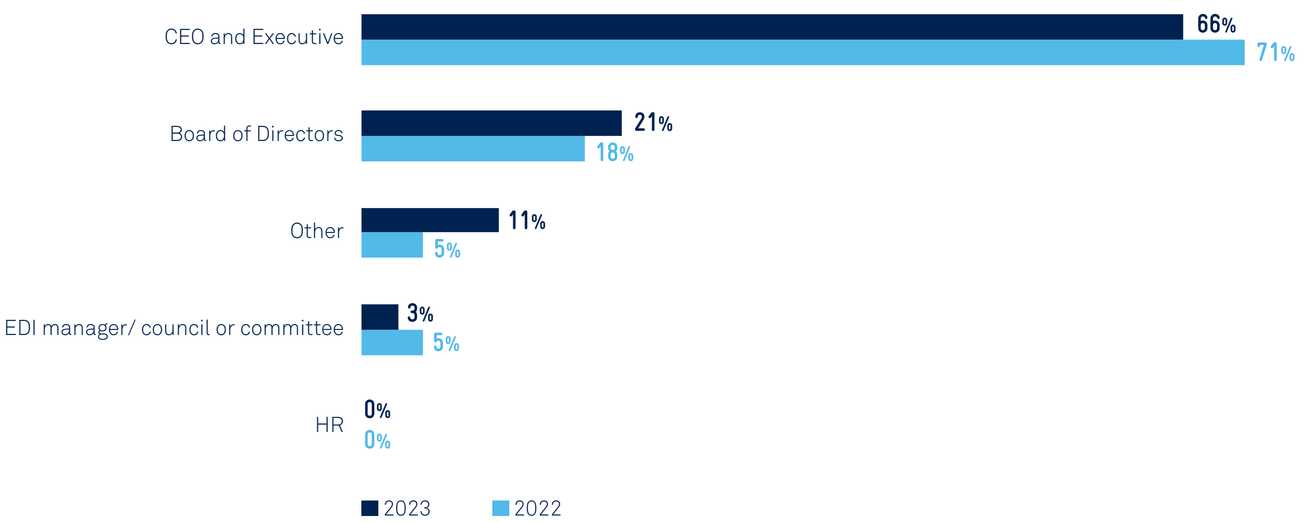
- Accountability for EDI strategy rests at the highest levels of senior leadership, demonstrating a strong commitment and buy-in.
- Firms have indicated that they are not reducing spend on EDI initiatives.
- Compliance with regulation ranks among the top three motivations for collecting, monitoring and analysing demographic data.

EDI is shifting from being viewed as a stand-alone initiative to becoming more integrated into people and talent management strategies. With an increasing understanding of the importance of aligning policies, procedures and behaviours with firm values and its impact on talent management success, this integration enables a more cohesive approach that supports the attraction, development and retention of all staff.

ACCOUNTABILITY

Chart 16 shows that for three quarters of responding firms (66%), accountability for the EDI strategy sits with the CEO and executive, with a slight increase in firms assigning accountability to the board, now at 21%. Collectively, this reflects a strong commitment and buy-in at the highest levels. In the FCA's 2023 consultation paper, CP23/20 on Diversity and Inclusion, emphasis was placed on the board's role in overseeing the EDI strategy. While robust accountability at the board level is important, feedback from IA members in our response to the FCA's consultation suggested that senior executive teams might be better positioned for hands-on oversight of the EDI strategy due to their closer engagement with day-to-day operations.

CHART 16: WHO IS ULTIMATELY ACCOUNTABLE FOR EDI STRATEGIES, MATCHED SAMPLE (2023 VS. 2022)



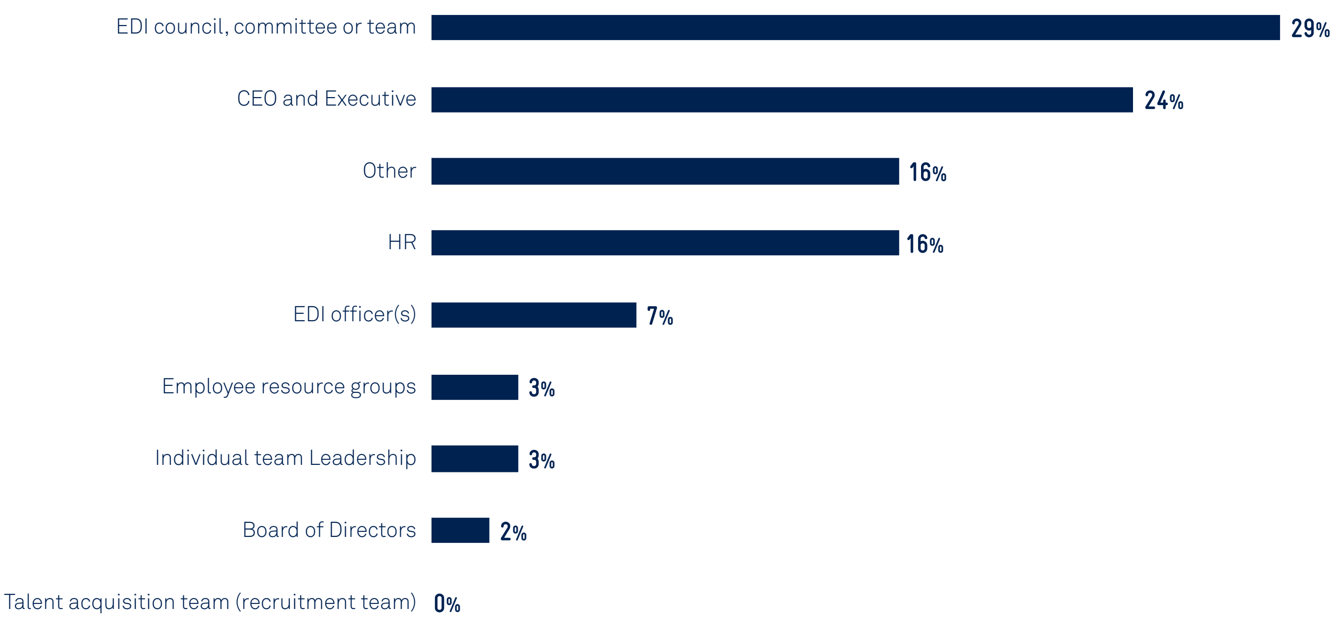
IMPLEMENTATION OF EDI STRATEGIES

Chart 17 shows that implementation of EDI strategies is spread across various job functions, indicating a shared responsibility for promoting EDI. The largest share of EDI efforts is led by EDI councils, committees or teams (29%), followed closely by CEO and Executive leadership (24%), highlighting different approaches to implementing EDI, with both specialised teams and top leadership actively involved. Additionally, HR departments and other functions each contribute 16% to EDI implementation, showing that responsibility is spread across multiple areas beyond just dedicated EDI roles.

Commitment to EDI

EDI is evolving from being treated as a distinctive initiative, to becoming more embedded within business culture and talent strategies. Firms have reported that they are not reducing their EDI spend, suggesting that while they may be adjusting their approaches, they are not deprioritising these efforts (see Chart 11 on page 27).

CHART 17: WHO IS RESPONSIBLE FOR THE IMPLEMENTATION OF EDI STRATEGIES (2023)



Culture and Inclusion

Although firms' motivation for collecting employee data is largely driven by an intrinsic commitment to building a positive environment for their workforce (92%), and tracking progress against internal targets (66%), regulatory compliance is now emerging as a significant factor (61%) for data collection, monitoring and analysis. This shift may continue with the FCA's proposals outlined in 'CP23/20: Diversity and inclusion in the financial sector', which classifies lack of diversity and inclusion as a non-financial risk and introduces requirements to report diversity and inclusion metrics while bringing non-financial misconduct into the regulatory framework. As a result, firms are expected to place greater emphasis on assessing staff wellbeing, psychological safety, and addressing bullying and harassment. This may involve more in-depth employee sentiment surveys and focus groups, as these insights provide early indicators of organisational culture.

Our survey reveals that over four fifths (81%) of firms are conducting employee sentiment surveys to gain deeper insights into their workforce, with larger global groups often implementing these surveys on a global scale. As part of the regulators proposals to measure culture, it is proposed that firms report on a set of prescriptive inclusion questions. However, findings from last year's survey found that firms are adopting varied approaches tailored to their specific needs and organisational structures, making it challenging to align inclusion questions in a uniform way.

SPOTLIGHT: NON-FINANCIAL MISCONDUCT

Addressing NFM is part of a broader effort to promote healthy workplace cultures. The FCA believes that tackling NFM will help create environments where diverse talent can thrive and all employees feel safe and respected. By treating non-financial misconduct with the same seriousness as financial misconduct, these proposals aim to foster a more inclusive and respectful workplace culture within the financial sector.

The FCA's recent proposals under CP23/20 stress the need to address non-financial misconduct (NFM) in the financial sector. These proposals aim to integrate NFM into the Senior Managers and Certification Regime (SMCR), ensuring that behaviours such as bullying, harassment, and discrimination are considered when assessing the fitness and propriety of senior managers and certified persons. This integration underscores the FCA's commitment to holding individuals accountable for their conduct beyond financial performance.

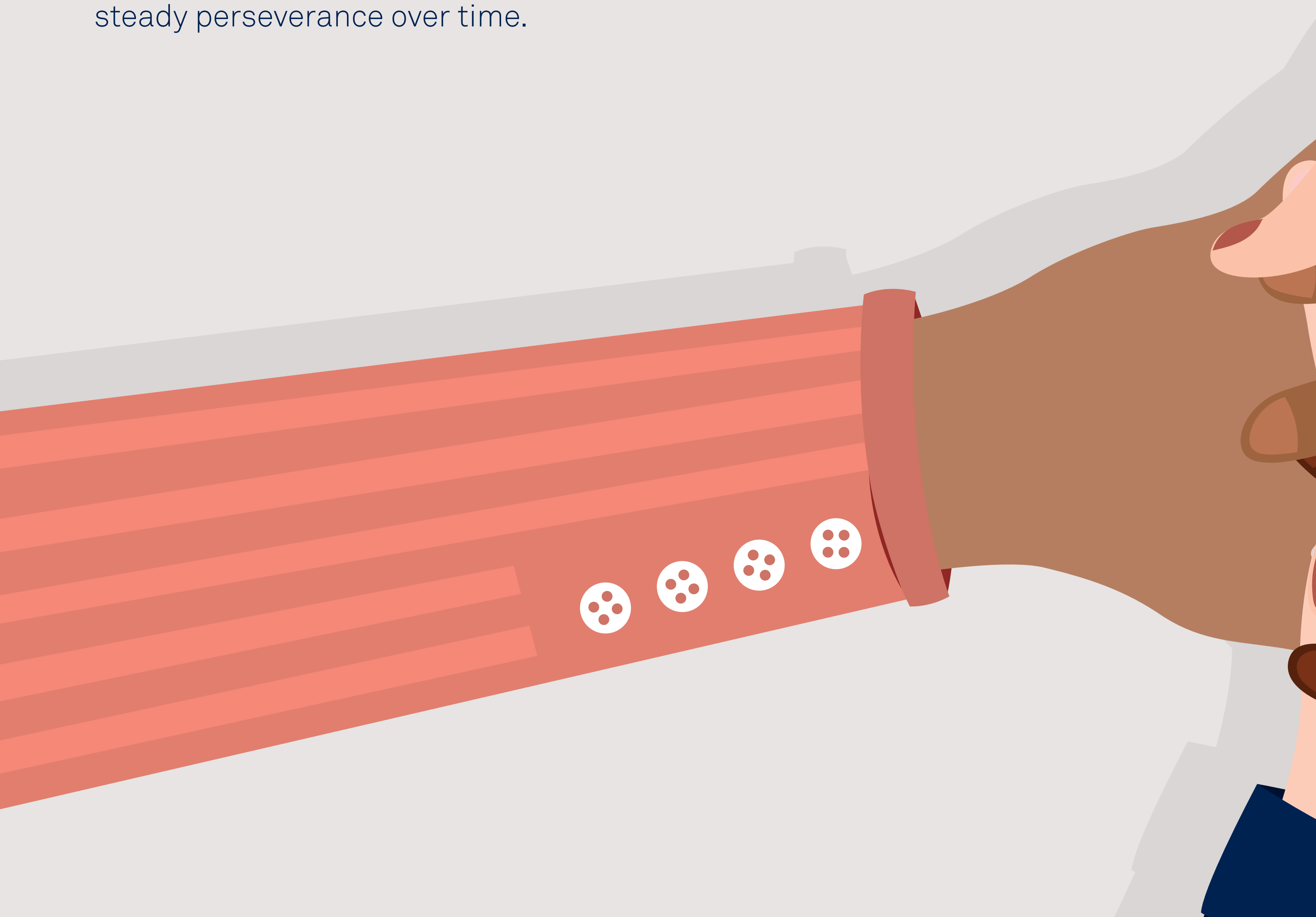
Furthermore, NFM will be explicitly included in the Conduct Rules, which apply to a wide range of employees within financial firms. This inclusion is designed to make it clear that NFM is unacceptable and will be taken seriously, reinforcing a culture of respect and integrity across all levels of the organisation.

When determining the suitability of individuals for roles requiring regulatory approval, firms will need to consider instances of NFM. This ensures that those who engage in such misconduct are not deemed fit to hold positions of responsibility, thereby protecting the firm's reputation and fostering a safe and inclusive workplace.

CONCLUSION

The UK investment management industry is making significant strides toward driving greater equity and inclusion into their workplaces, enabling them to benefit from the full breadth of talent needed to drive innovation and resilience across the business. These efforts are having a positive impact on employee buy-in and overall engagement. However, challenges remain, particularly in collecting reliable data for some demographic characteristics.

The IA continues to play a crucial role in championing better quality data that can be used to support understanding of the workforce and measure progress. Firms are increasingly collecting comprehensive demographic data to enhance their EDI strategies, with growing trust in data collection processes reflected in improved disclosure rates. While the pace of change is incremental, meaningful and sustainable progress requires steady perseverance over time.



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