



WALKER HAMILL

D&I SERIES: PART SIX

Perspectives on the State of Diversity and Inclusion in the Private Equity Industry

**DIVERSITY WITHIN INVESTMENT BANKING:
A LOOK INTO THIS TRADITIONAL
CANDIDATE POOL FOR PRIVATE EQUITY**

Introduction

At Walker Hamill, our dedicated Private Equity team conducts extensive research to map the Private Equity candidate pool in Europe. Based on the recent mandates we have worked on this past year, we estimate that around 90% of our PE clients would consider investment banking profiles when recruiting for entry level investment roles/Associate roles. In comparison, 70% of our PE clients, on average, would consider strategy consulting profiles when recruiting for similar roles. As a result, investment banking stands out as the primary candidate pool for Private Equity Associate hiring. It is consequently the most relevant candidate pool for PE Associate roles, ahead of strategy consulting, another traditional candidate pool for PE entry-level positions.

Using publicly available information and our knowledge of the market, we have built a diversity picture for the junior population within the leading global investment banks.

Methodology

For the purpose of the present analysis, we have mainly focused on the Analyst classes at four leading investment banks as of September 2022. In particular, our analysis focuses on professionals who started to work between 2018 and 2022. For relevance, we have focused on three specific functions:

- The 'sell-side' function or M&A team
- The leveraged finance team
- The principal investment or private equity team, where they exist

We have carefully chosen these three functions because they are typically considered as providing the most relevant training to transition into a 'buy-side' investment role within PE.

In this report, we share the gender and ethnic diversity picture which we have observed for each institution.

The data relating to the ethnic and gender diversity profile of the sampled professionals has been sourced through both proprietary and publicly available information. In this context, we acknowledge that the gender profile we observe is likely to be more accurate than the ethnic profile, because our ethnic data includes a wider part of unknown. At times, information related to the ethnic background of the relevant professionals was unavailable.

In those cases, we have indicated the ethnic background of the relevant professionals as 'unknown'. Similarly, when the ethnic background of a specific professional could not be identified clearly and whenever possible, we have made assumptions by relying on the analysis of a set of available data, including publicly available photos, geographical background, languages spoken and origin of family names.

Sample Population

In carrying out this analysis, we have targeted 751 professionals from across four selected investment banks: Goldman Sachs, JP Morgan, Morgan Stanley and Bank of America Merrill Lynch (BAML).

We have focused on investment banking professionals from Analyst and Associate classes 2018 to 2022.

We have focused on the M&A, leverage finance and principal investing or private equity investing teams of these institutions.

The sample selection solely includes professionals based in these Companies' London offices.

Context

For reference, there are 18 ethnic groups recommended for use by the **Government** when asking for someone's ethnicity in England and Wales. These are grouped into 5 ethnic groups which are not exhaustive. The recommended ethnic groups are:

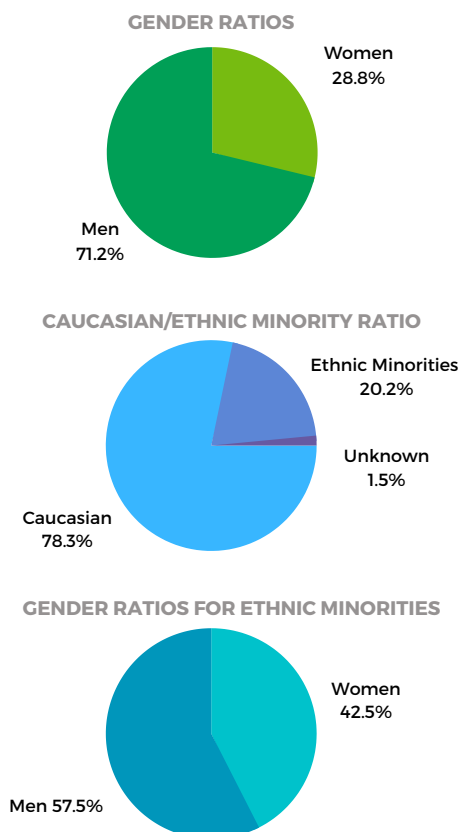
- **Asian or Asian British:** Indian / Pakistani / Bangladeshi / Chinese / Any other Asian background.
- **Black, Black British, Caribbean or African:** Caribbean / African / Any other Black, Black British, or Caribbean background.
- **Mixed or multiple ethnic groups:** White and Black Caribbean / White and Black African / White and Asian / Any other Mixed or multiple ethnic background.
- **White:** English, Welsh, Scottish, Northern Irish or British / Irish / Gypsy or Irish Traveller / Roma / Any other White background.
- **Other ethnic group:** Arab / Any other ethnic group.

In Wales, 'Welsh' is the first option in the White category.

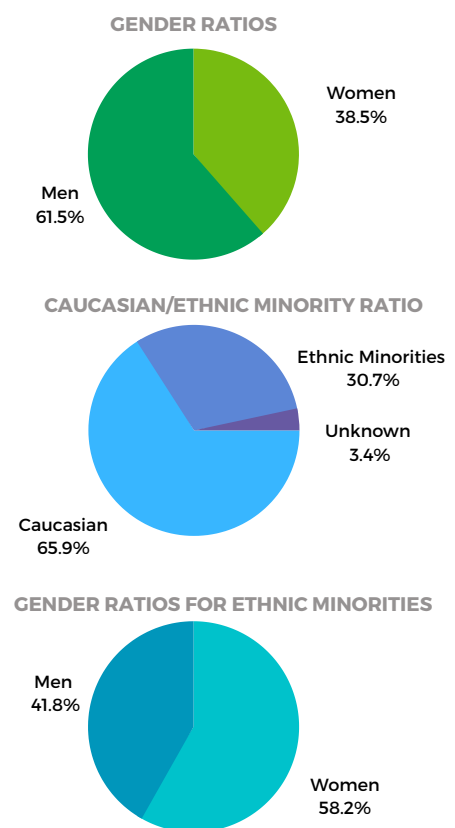
In this piece, we use 'ethnic minority' to refer to people identifying as Black, Asian or other non-White Ethnic minority backgrounds. More generally, the concept of ethnic minorities is typically used to describe ethnic groups that are a minority in the population. In the UK, ethnic minorities means all ethnic groups except White British. For example, they include White ethnic minority groups such as Polish or Gypsy, Roma and Irish Traveller. However, for the purpose of our analysis, White ethnic minority groups are categorised as 'Caucasian' and all other ethnic minority groups are categorised as 'Ethnic Minorities'.

Diversity in Investment Banking

Morgan Stanley

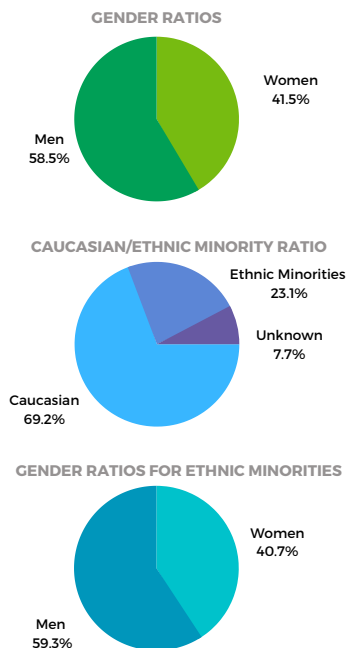


BAML

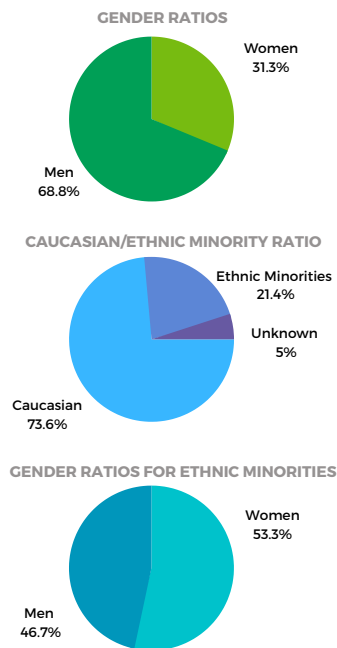




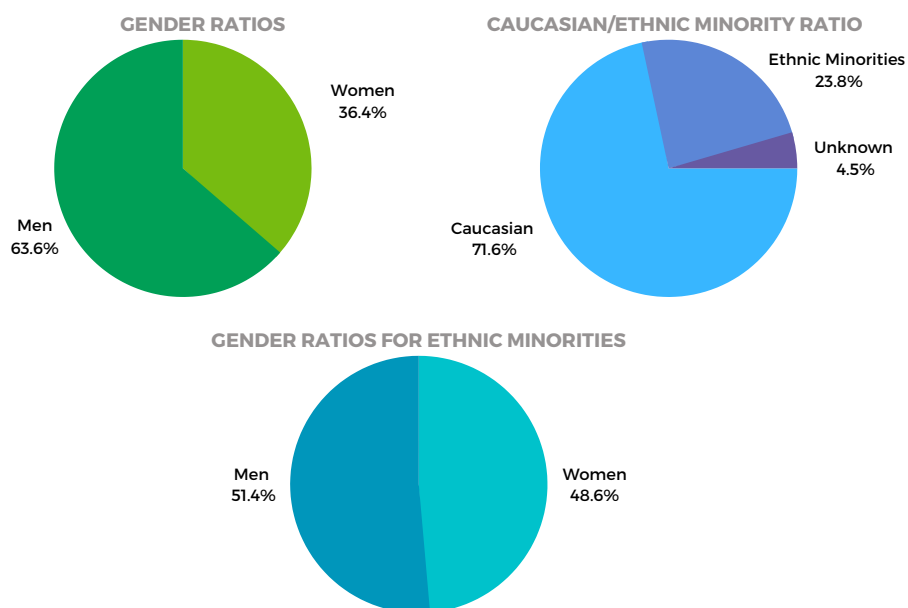
Goldman Sachs



JP Morgan

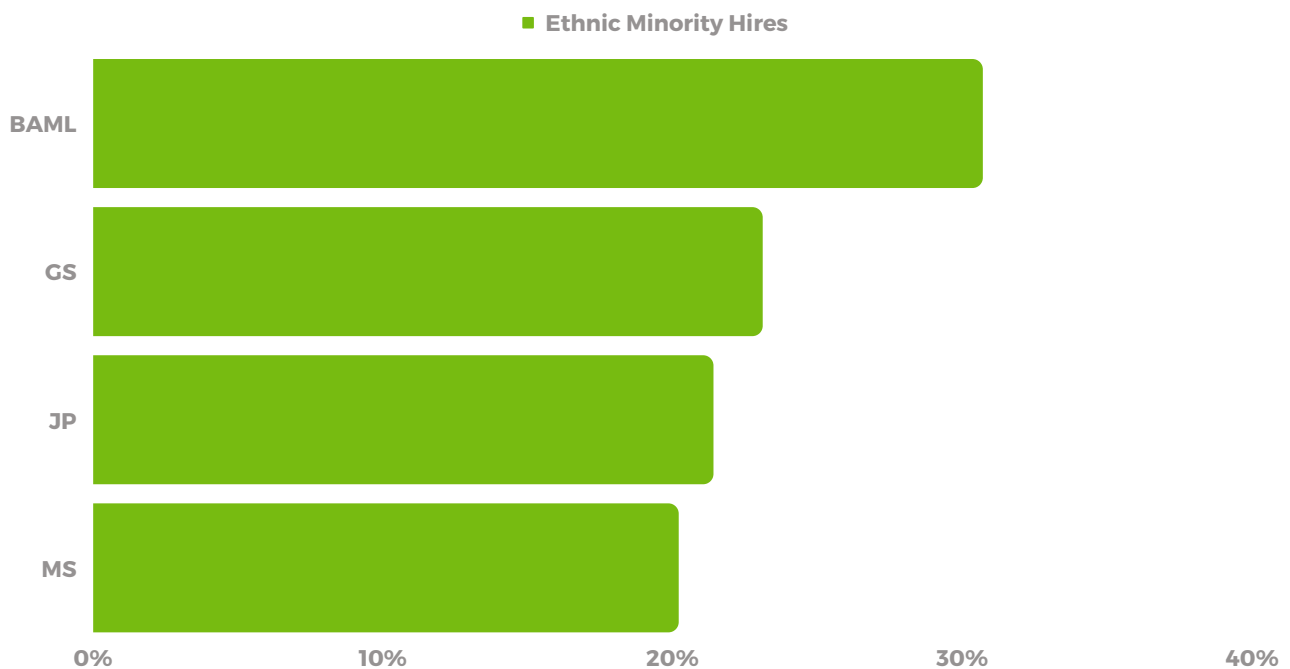
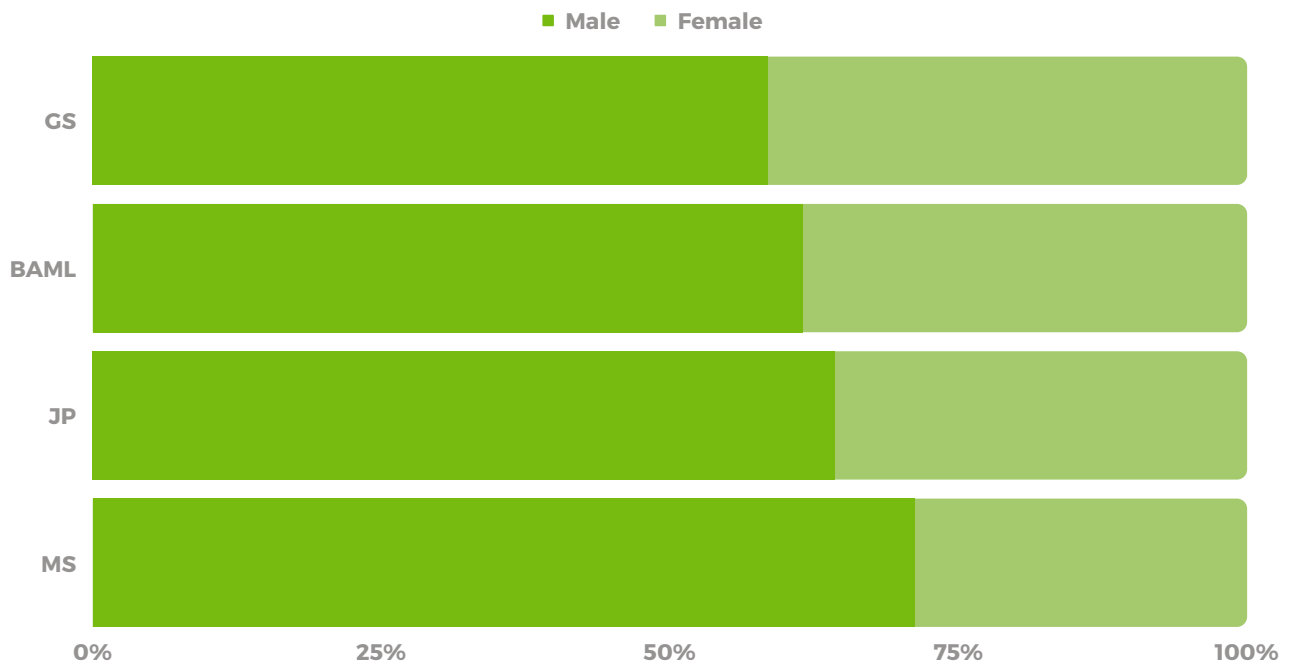


Aggregate IB Diversity Ratios (Goldman Sachs, JP Morgan, Morgan Stanley, BAML)





Comparative Table



LEGEND

BAML - Bank of America Meryll Lynch

JP - JP Morgan

GS - Goldman Sachs

MS - Morgan Stanley

Commentary

- None of the selected banks seem to have achieved gender parity to date.
- Goldman Sachs appears to have a better men vs women ratio in their London office, in comparison to their competitors.
- BAML appears to lead the race for ethnic diversity as we observe 30.7% ethnic minority hires within their classes 2018-2022. They seem to be doing better than their peers considering Goldman Sachs appears to have the second highest number of ethnic minority hires, at only 23.1%.
- Notably, Morgan Stanley seems to be ranking worse than its competitors, for both gender diversity and ethnic diversity, when looking at the relevant functions of their investment banking teams.
- According to the [Diversity & Inclusion Survey](#) published by the BVCA and Level 20 in 2021, women now account for 38% of the private equity and venture capital workforce in Europe. They are less represented in investment roles where they make up 20% of the workforce at all levels. However, women notably constitute 33% of the junior PE investment workforce. This suggests that a significant number of female investment bankers are transitioning into investment careers within Private Equity. This is evidence of the recent push within the PE industry to correct the historical gender imbalance. However, the percentage of female PE investment professionals declines with seniority since only 10% of senior PE investment professionals are women. Hence, this also suggests that while PE firms can rely on a sizeable female candidate pool within investment banking, they are still failing to promote and retain female PE investment professionals, once hired.
- Based on our data, ethnic minority hires in the London offices of the selected banks range from 20.8% (Morgan Stanley) to 30.7% (BAML). Remarkably, London is the most ethnically diverse region in England and Wales. Over 40% of its residents identify as Asian, Black, Mixed race or Other ethnic groups ([2011 Census](#)). As a consequence, this suggests that ethnic minorities are largely underrepresented within the leading investment banks.
- Most of the selected investment banks seem to have less ethnic minority hires than European PE firms on average, based on data published by BVCA and Level 20 in their [Diversity & Inclusion Survey 2021](#). Indeed, employees from ethnic minority backgrounds constitute just over 25% of the PE investment professional workforce at junior level.

Nonetheless, it is worth noting that the representation of investment professionals from ethnic minority backgrounds drops to around 16% at senior level. This suggests that PE firms may be attempting to hire investment banking professionals from ethnic minority backgrounds. However, they seem to fail to promote and subsequently retain these professionals.

Absolute Numbers

Absolute Numbers	Goldman Sachs	JP Morgan	Morgan Stanley	BAML
Total	234	140	198	179
Total Men	137	90	141	110
Total Women	97	50	57	69
Total ethnic minority men and women	54	30	40	55
Caucasian Men	93	71	116	81
Caucasian Women	69	32	39	37
Ethnic Minority Men	32	14	23	23
Ethnic Minority Women	22	16	17	32
Men, unknown ethnic background	12	5	2	6
Women, unknown ethnic background	6	2	1	0