



**Independent Review of Big Society Capital
Response from the Diversity Forum
30 April 2020**

The Diversity Forum was established in late 2017 in response to a growing feeling amongst those working in the social investment sector that lack of diversity in the market was affecting its ability to be an inclusive environment for people to work in or seek investment.

Earlier in 2017 the Social Impact Investors Group and Big Society Capital had commissioned a rapid survey on diversity and equality, which found that only 28% of women are represented in leadership teams of social investment firms. The survey found that female representation is generally balanced in back-office roles and investment management roles, but this representation distinctly falls at the point of decision-making. For Black, Asian and Minority Ethnic (BAME) individuals, it was found that BAME individuals seldom progress beyond back-office roles.

The implications of these findings can be summarised into two levels: first, we may not be recruiting or retaining the 'best' people for the work that we do. Second, these findings suggest the existence of unconscious biases which can influence how finance is allocated. There is better evidence for the former, while the latter is a big concern for the industry.

There is both intrinsic and instrumental value inherent in promoting investor diversity within social investment. To help the UK achieve our common vision of a "bigger, stronger society" as stated in the 2011 government strategy on social investment, we need to ensure that our sector is also grounded in principles of inclusion, representation and justice.

The Diversity Forum believes that improving the diversity and inclusion of social investment will benefit three main groups – VCSE organisations, individuals working in the social investment space, and the funds and investors themselves.

We welcome the work that has been done by Big Society Capital, largely through the efforts of certain members of its staff, to address diversity but believe that more needs to be done and that creating a diverse, equitable and inclusive social investment market should be considered a target and measure of its future success.

"Diversity crosses ideological boundaries. From the pure competition of the free market, selecting other than on grounds of the best person to do the job, is not efficient. From an equal rights perspective, how can we deliver social change if we look like part of the problem?" Danyal Sattar, CEO Big Issue Invest

1. Effectiveness in social investment system change and social impact.

How effective has Big Society Capital been in delivering social investment systems change and in achieving social impact?

We welcome the commitment that has been shown by certain members of Big Society Capital's staff towards addressing the issue of diversity within the sector. They have worked hard visibly within the sector facilitating the creation of a Champions Network where professionals across the market come together to share best practice and learning in promoting diversity and inclusion in their daily work.

They have also worked hard behind closed doors to ensure that the structural causes and implications of a lack of diversity are fully understood by the organisation's leadership and to encourage its prioritisation. The publication of BSC's own gender pay gap and equalities strategy as well as the many activities that sit beneath this are all to be welcomed as visible acts of leadership.

What issues should be addressed or opportunities developed to deliver enhanced or more rapid systems change and social impact?

We believe that more needs to be done if we are to achieve a diverse, equitable and inclusive social investment market. Follow up research commissioned by the Diversity Forum and published in 2019¹ indicated a clear lack of diversity in gender, disability, ethnic and socio-economic backgrounds within the social investment sector with some of the key findings of the report being:

- The representation of female directors within the social investment sector had fallen by 5% since 2017, with male board directors outnumbering female directors by 2:1
- A reduction in BAME employees in the social investment sector with managerial responsibilities since 2017. Less than a fifth of BAME survey respondents were in a position of senior leadership or executive roles
- Almost 1 in 5 directors in the social investment sector had attended Oxbridge which compares to just 1% of the UK population
- BAME women were the least likely to hold directorship in the sector, accounting for just 2.8% of all Board Directors

The challenges of diversity are not unique to the social investment sector, but as a young market dedicated to creating systemic social impact it should be entirely possible to intentionally design inclusion and equity into the make up of the market, recognising it as fundamental to creating a market that serves the financing needs of communities and VCSEs across the UK.

We believe that to achieve change requires clear, bold targets.

The Diversity Forum has been aiming to take the lead to increase diversity within the social investment sector and to work with investors to support them to improve the way they look at diversity across their business. Through the creation of a diversity champions peer network we have sought to champion diversity at an organisational level in the sector and make changes that have long-term impact. We have also created a Toolkit on practical resources and hosted regular breakfast events where we look to create debates on this topic through the use of a wide variety of speakers.

We welcome BSC's support and call on it to embed DEI firmly into its future strategic priorities.

2. Cost-effectiveness and Process

What changes in process or systems should be considered?

The unequal way in which certain groups are affected by Covid 19 brings home how critically important it is for financing institutions like BSC to apply a diversity lens to all aspects of their work.

It will be particularly important for BSC to apply a diversity lens to how they allocate funds in response to the COVID-19 crises and beyond. Evidence is showing that COVID-19 is disproportionately affecting communities that are already marginalised in society. BAME led community organisations, women, those from lower socio-economic backgrounds and disabled people will be hardest hit by the crises. As such BSC needs to offer even greater support to these groups.

¹ Inclusive Impact: A Comprehensive Review of Diversity In The Social Investment Sector'

Structural inequalities within society will mean that Black, Asian and Minority Ethnic (BAME) individuals and their families are at a much higher risk of severe illness from COVID-19 as well as being more likely to suffer from the economic impact of measures adopted by the government to tackle the virus. BAME communities in the UK are amongst the poorest socio-economic groups with [evidence](#) highlighting that this results in increased levels of ill-health and the likelihood of being employed in the most hard hit sectors like retail and hospitality as well as the likelihood of living in poorer housing compared to their White British counterparts. BAME employees are also more likely to be in more junior positions and hold less power within a place of work and less likely to have access to practical privileges like desk space at home. **It is thus crucial that senior leaders and board members acknowledge and account for this when developing support for their teams and planning adjustments.** Assessments of workplace planning around the crises must consider and ensure that there is not a negative and disproportionate affect on BAME employees and offer additional support where needed.

The crises has also further highlighted the crucial work that BAME led community organisations do and how they are often the ones providing the most vital services to communities hit hardest by the crises. They have seen an increase in demand for their services and often work directly with individuals in most need. However, these organisations had already been hit hard from decades of underfunding and as a result often have less access to resources, time and staff. This means that they are less able to promote themselves to funders with [65% having an average turnover of less than £10K annually](#). Without their services, particularly during this time, many communities will be left without vital support and essential provisions. But unlike larger charities, they are less able to effectively raise funds during crises situations and many are on the brink of closure, lacking reserves as a result of years of under-funding. **Larger charities must therefore take a back seat to allow smaller community organisations to be able to compete and funders must actively seek their voices in decision making.**

Covid-19 presents particular risks for many people with disabilities living in the UK. They are disproportionately affected due to discrimination and barriers to information, social services, healthcare and social inclusion. People with disabilities who live at home often rely on community-based services to meet their basic daily needs such as preparing meals. There are serious [concerns amongst disability rights groups](#) about the potential interruption of these services that are so vital to many. Many fear that they may be deprived of vital care in the coming months due to a clause in the emergency Coronavirus Bill, which temporarily removes the legal duty of local authorities to provide social care to those eligible. More alarmingly the recent rhetoric used when discussing disabled people and COVID-19 has often been exclusive and stigmatising. Labels are powerful and constantly referring to disabled people as 'vulnerable' and 'more susceptible' reinforces the stereotype that disabled people are weak and in need of constant support. As a result, **disabled people are impacted by the COVID-19 crises in ways that able-bodied people are not, and this must be considered when making decisions and in our response to the crises. We should be looking at the language we use to ensure that we are not reinforcing stereotypes and replace this with inclusive language.**

Perhaps the most glaring difference in how Covid-19 will impact us as a society will be in how people from different socio-economic backgrounds will be affected by measures adopted by the government in trying to tackle the virus. Those from lower socio-economic backgrounds are more likely to work in sectors hit hardest by the virus, less likely to have access to nutritious and adequate food supplies and more likely to already suffer from poor health. With schools being closed many are now living in overcrowded conditions and no longer have access to free school meals. This will have a huge impact on the everyday lives of thousands living in the UK. As such, **those from lower socio-economic backgrounds will be hit hardest and as a sector we must take this into account when responding to the COVID-19**



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The COVID-19 crises will have an immense and disproportionate effect on women's economic and personal lives. Women are more likely to be caring for other relatives or children in addition to their day job as well as being more likely to be employed in sectors hit hardest by the crises like retail and hospitality. [Research](#) also suggests that intimate partner violence increases in lockdown situations. At a time where we need more data on women to better respond to their unique needs, the recent decision of the Government Equalities Office and the Equality and Human Rights Commission (EHRC) to suspend the obligation for UK employers to report their gender pay gaps for this year will have far-reaching consequences. As a sector we must recognise that women face additional hardships as a result of the crises and lockdown. **Senior leaders and board members should therefore be acting to ensure that they include strong gender dimensions in their response to COVID-19. Women are extremely underrepresented in senior and leadership positions and we must ensure therefore that their voices and concerns particular to them are heard.**

Looking to BSC's role as a wholesale investor we feel that BSC should also be demanding more from the funds that it is supporting with its capital to adopt DEI practises and bring about meaningful change. Given its role as a wholesale funder BSC holds a significant amount of power in relation to this and could use this to influence change at the intermediary level. We would also urge BSC to do more on sharing data on diversity from the investments it has made and the funds that it has supported with its funding. For there to be real change in the social investment sector when it comes to diversity there has to be a higher level of accountability on social investment funds – something BSC is in a position to do. Furthermore, we would welcome BSC taking the step to ring-fence a portion of its remaining funds to go specifically towards BAME led investment products, programmes or funds as a way of ensuring that funds are reaching the most marginalised and hardest hit communities. This would be in a similar vein to what numerous grant funders are looking to do and would provide a strong signal of intent within the social investment sector.

BSC needs to identify who is actually coming through to them, for example, are they hearing the voices of BAME groups sufficiently and how can BSC better access them? How can BSC develop equitable products and structures that work for organisations to take on investment in terms of the first wave of emergency support?

This makes it even more important that BSC is really conscious of their money and government money – it's very easy in a rush to get money out the door and into organisations pockets to focus on your existing portfolio and grantees. The risk with this is that we reinforce inequalities – we need to make sure that all organisations are getting equal access to funds. We don't want more diverse community organisations disappearing in the next couple of months because then they won't be there for the re-build. We can be as diverse as we want in the re-build phases but if those organisations have disappeared then we've already failed. How do we make sure organisations have the tools so that this doesn't happen?

The Diversity Forum

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