Report to the Congress on the Office of Minority and Women Inclusion

March 2012

Board of Governors of the Federal Reserve System
Report to the Congress on the
Office of Minority and Women Inclusion

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The Board of Governors of the Federal Reserve System (the Board) is responsible for implementing numerous provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The Dodd-Frank Act requires, among other things, that the Board produce reports to the Congress on a number of potential reform topics.

Pursuant to section 342(e) of the Dodd-Frank Act, Sheila Clark, director of the Board’s Office of Diversity and Inclusion, submits this first annual report to the Congress outlining the activities, successes, and challenges of the office.

See the Board’s website for an overview of the Dodd-Frank Act regulatory reform effort (www.federalreserve.gov/newsevents/reform_about.htm) and a list of the implementation initiatives recently completed by the Board as well as several of the most significant initiatives that the Board expects to address in the future (www.federalreserve.gov/newsevents/reform_milestones.htm).
Introduction

In January 2011, pursuant to section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the Board of Governors of the Federal Reserve System (the Board) established its Office of Diversity and Inclusion (ODI). The ODI builds on the Board’s long-standing efforts to promote equal employment opportunity and diversity and to foster diversity in procurement. The Board has welcomed the new requirements under section 342 as a complement to its existing efforts as well as an opportunity to strengthen those efforts.

The ODI’s mission and scope include the responsibilities identified in section 342 for the Office of Minority and Women Inclusion, as well as Equal Employment Opportunity (EEO) compliance and programs and initiatives addressing diversity and inclusion more generally (for example, inclusion of persons with disabilities).
Employment of Minorities and Women

The Board is committed to fostering an inclusive work environment where diversity is respected and leveraged to better serve the agency’s mission. The Board has a long-standing equal employment policy and makes significant efforts to recruit and retain a staff that is diverse and inclusive. The best ideas, decisionmaking, and ultimately, service to the public are born from diverse perspectives.

Equal Employment Opportunity Policies

The Board’s Equal Employment Program, which is housed within the ODI, strives to meet the “Essential Elements of a Model EEO Program” as prescribed in the Equal Employment Opportunity Commission’s (EEOC) Management Directive 715 (MD-715). The Board has formal policies regarding equal employment opportunity, reasonable accommodation, and sexual harassment; and the EEO Program undertakes training and analysis to ensure that the Board complies with all applicable laws and regulations. The Board uses MD-715 (which includes an annual barrier analysis) as the primary metric to assess the effectiveness of its diversity policies. In addition, the Board conducts an impact analysis on employment transaction data (i.e., hires and promotions) and a complaint trend analysis. Each operational division has an EEO liaison who works with the ODI to address recruitment and retention issues specific to the liaison’s division. The ODI, in conjunction with each EEO liaison, monitors progress on increasing workforce diversity.

The Board submits an EEO Program Status Report based on the requirements of MD-715 annually to the EEOC, as required by law. As part of that report, the Board provides the EEOC with an EEO-1 Report on workforce demographics. The EEO-1 Report is available on the Board’s public website: www.federalreserve.gov/aboutthefed/diversityinclusion.htm. The Board’s EEO-1 Report for calendar year 2011 is also appended to this report as appendix A. In general, the Board compares favorably to the federal government in workforce diversity, with an overall workforce that is approximately 46 percent female, 27 percent African American, 12 percent Asian, and 4 percent Hispanic. Within the ranks of Board officials and managers, approximately 44 percent are female, 15 percent are African American, 6 percent are Asian, and 2 percent are Hispanic. Recruitment and retention of Hispanics has been a strategic objective for the Board. We have made some progress in recent years; the Hispanic workforce has increased from 3.70 percent in 2010 to 4.02 percent in 2011.

The Board reviews the diversity profile of its workforce and applicant pool periodically, comparing against census availability data for major occupations. The following have been implemented based on the reviews and comparisons of our workforce against census availability data for major occupations:

- identification of effective recruitment resources to increase diversity in the applicant pool;
- development of recruitment outreach action plans;
- increased participation by divisions in summer internships and recruitment at minority and female professional career fairs; and
- mentoring and career development activities to increase the pipeline to senior professional, managerial, and official staff (i.e., its officers) positions.

To further strengthen its diversity, EEO, and inclusion policies and practices, the Board is a member of organizations that provide research, benchmarking, exchange of diversity best practices, and networking opportunities. The Board has participated in benchmarking surveys conducted by the Conference Board, the Society for Human Resource Management, the Organization Resource Network Council, the Equal Employment Advisory Council, and the Federal Inter-Agency Diversity Partnership. Board...
staff have also served on committees and workgroups focusing on diversity and EEO topics.

Recruitment and Retention

The Board uses a variety of recruitment methods depending on the role, level, and grade of the position. Different divisions also may use different recruitment methods based on specialty skill sets needed. Methods of recruitment include, but are not limited to, posting positions on job boards, placing advertisements in targeted minority and female publications (such as IMDiversity, Hispanic Business, and Careers & the Disabled), and announcing job opportunities with industry, trade, and minority and female professional organizations. The Board also works with career placement offices at colleges and universities. Organizations such as the American Economic Association and the Urban Financial Services Association provide access to applicants for positions critical to meet the Board’s mission. The Board has found that including hiring managers at recruitment events enhances recruiting effectiveness, and it has increased its use of this technique in recent years. Also, in order to increase diversity in candidate pools for executive positions, the Board at times uses external minority and female recruiting search firms. In addition, the Board has a summer intern program that provides an opportunity for students to work in a variety of Board positions, including financial analyst, information technology (IT), economic research, and business management. Summer intern applicants are sourced from colleges, universities, and diversity organizations, including INROADS and the Hispanic Association of Colleges and Universities.

To assess the effectiveness of the different recruitment channels and strategies in achieving a diverse applicant pool, the Board performs applicant tracking reviews to determine the diversity of applicant pools, interviewees, and hire results based on interviews. Information derived from program assessments is used to improve diversity outreach and recruitment efforts at colleges, universities, and professional career fairs. The ODI similarly monitors the retention of minorities and women by role, level, and grade. Where issues are identified in hiring or retention, meetings are held with management in the specific division. This enables the ODI to address issues and/or trends that adversely impact the Board’s policies and practices pertaining to EEO.

Training and Mentoring

The Federal Reserve System and the Board sponsor the Federal Reserve System Leadership Exchange Program. This program, in conjunction with customized division mentoring programs, enables participants to develop depth and breadth of skills and experiences in their careers. Exchange assignments come in many forms, ranging from a short-term job shadow to a long-term critical project or a specialized experience tailored to support an individual’s development goals. The exchange and mentoring programs provide hands-on learning; promote exposure to different functions, experiences, and cross-System opportunities; and expand cross-System and cross-function networks and visibility.

Further, the Board has implemented an apprenticeship program to provide employees in job families with limited potential for advancement the opportunity to receive classroom and on-the-job training in order to develop careers in skilled trades.

In addition, the Board has provided training in classroom and web-based formats. The following are examples of diversity training and education activities that have been offered to official staff and employees: Leading in an Environment of Diversity, Working in an Environment of Diversity, Workplace Harassment, Conflict Resolution, and Leadership Competencies. The ODI plans to increase its training activities in 2012 and going forward.

Successes

An ongoing focus of the Board is to increase diversity in the official staff. In 2011, the Board increased its official staff by 14 positions, of which 3, or more than 21 percent, were minorities. In addition, 17 Hispanics were hired in job categories with low Hispanic participation. Further, the Board’s increased outreach efforts resulted in more diverse applicant pools for a number of positions.

Challenges

Despite some progress, the Board continues to have low minority representation in the economist job family. The Board hires a large number of Ph.D. economists, and the availability of minority candi-
dates for these positions is low. To address this challenge, the Board participates in educational forums and is a member of the American Economic Association’s Committee on the Status of Minority Groups in the Economics Profession.

The Board also identified the need to enhance diversity in the pool of applicants for key functions such as financial analysis, IT, middle management, and senior professional positions. In response, the Board enhanced its recruitment outreach efforts for these positions by targeting recruitment venues with a more diversified applicant pool. The Board also included hiring managers at recruitment fairs with high participation by black and Hispanic MBAs, attorneys, and IT professionals. In addition, the Board has enhanced its advertisement of career opportunities in minority and female conference publications. These activities resulted in a more diverse applicant pool.
Inclusion of Minority-Owned and Women-Owned Businesses

The Procurement Section of the Board’s Management Division, working with the ODI, is responsible for implementing section 342 of the Dodd-Frank Act in connection with developing standards and procedures to ensure, to the extent possible, the fair inclusion and utilization of minority- and women-owned businesses in the Board’s procurement process. The ODI and the Procurement Section meet on a regular basis to assess the results of the supplier diversity objectives and activities and to determine whether additional efforts would be helpful in assisting minority- and women-owned businesses to compete successfully in the Board’s acquisition process.

Currently, the Board continues to operate under its small disadvantaged business acquisition policy, which existed prior to the enactment of the Dodd-Frank Act. That policy helps to ensure that small and socially and economically disadvantaged businesses have an equitable opportunity to compete in the Board’s procurement activities. To further enhance the Board’s Small and Disadvantaged Business Development Program and to support the ODI’s goals and objectives, the Procurement Section is in the process of implementing a supplier diversity program. Under the program, as required by section 342, the Board’s general contract provisions will include standard language that requires contractors to confirm their commitment to ensuring the fair inclusion of women and minorities in employment and contracting. In addition, during the solicitation phase, the program will allow prospective vendors to submit a subcontracting plan with their proposal. With the adoption of the supplier diversity policy, the Board is confident that its vendor selection processes will encourage and support the participation of minority- and women-owned businesses.

Access Initiatives

In 2011, a supplier diversity specialist was hired to develop a comprehensive program strategy, including meetings with prospective suppliers to pre-qualify them and offer technical assistance as needed. By dedicating a full-time staff person to this effort, the Board expects to increase the participation and identification of diverse suppliers in the Board’s acquisition process. Procurement staff and the supplier diversity specialist plan to host workshops and other technical assistance activities to assist vendors with the fundamentals of doing business with the Board.

The Board is also working to develop a website that will enable companies to register, identify their business type, and include information regarding their products and services.

Outreach Activities

The Board continues its outreach activities to attract a diverse pool of vendors by holding events to provide vendors an opportunity to meet with procurement staff and the technical end users. These vendor fairs have been well received by the vendors that attend as well as the internal-Board customers that meet one-on-one with potential suppliers. Giving the internal-Board customer an opportunity to meet with potential suppliers prior to starting the solicitation process provides the customer an opportunity to speak with the vendors about their qualifications. The Board plans to hold additional events, including workshops and forums for vendors on how to do business with the Board and how to access small business opportunities.

The Board’s external strategies to increase contracting opportunities for minority- and women-owned firms focus on developing partnerships with advocacy groups representing minority- and women-owned businesses and organizational memberships. The Board is a member of the Maryland/District of Columbia Minority Supplier Development Council. As a member, the Board uses the Council’s vendor database to find qualified suppliers to invite to out-
reach activities and to include in the bidding process for contracts with the Board. The Board is also applying for membership in the Women’s Business Enterprise National Council, which hosts networking events focused on supplier diversity. In addition, the Board has met with advocacy groups, such as the Greenlining Institute, to discuss the inclusion of minority businesses in products and services contracts.

The Board also attends external vendor outreach events, such as the annual procurement conference sponsored by the Office of Small Disadvantaged Business Utilization in Washington, D.C., local and national conferences of the Minority Supplier Development Council, and the national conference of the Women’s Business Enterprise National Council. In 2012, the Board plans to participate in a number of trade shows, such as the Minority Enterprise Development Week, D.C. Small Business Expo, the National Association of Women Business Owners, the U.S. Chamber of Commerce Business Summit, the U.S. Pan American Expo, the New York Small Business Expo, and the trade show held in conjunction with the Congressional Black Caucus annual conference.

Successes

As mentioned earlier in the report, the Procurement Section hired a supplier diversity specialist to enhance outreach activities and to focus the Board’s efforts toward increasing the number of minority- and women-owned businesses involved in the Board’s procurement process.

A separate budget was approved for the supplier diversity program to ensure that the program is adequately funded. As a result, the Board has tripled the number of outreach activities planned for 2012. During 2011, the Board participated in several local and national events designed to identify and educate minority- and women-owned businesses about contracting opportunities at the Board. In addition, the Board hosted its annual vendor fair, which provided the opportunity for minority- and women-owned businesses to meet with procurement staff and end users. These activities resulted in a more diverse pool of qualified minority- and women-owned businesses in the bid process.

Over the past five years, the Board has increased the amount of contracting dollars spent with minority- and women-owned businesses from $8,376,750 in 2007 to $15,414,147 in 2011, representing an increase of 84 percent.

In order to improve the accuracy of information on vendors in our procurement database, we contacted vendors to revalidate their classification and status. More than 90 percent of the vendors responded. This effort will enhance our ability to track and produce accurate reports.

Challenges

As an initial hurdle, the Board’s total procurement expenditure is small relative to other federal agencies, and the specific mission of our agency dictates the type of products and services purchased. In particular, the Board spends a significant amount of its overall contracting dollars on purchases of economic data, which are generally not available from minority- or women-owned firms.

A further barrier to competition by minority- and women-owned businesses is the fact that many of these companies have never conducted business with the federal government and have expressed concern that the documentation requirements are an undue burden. The outreach and technical assistance programs described earlier are designed to assist minority- and women-owned businesses in addressing this concern.

In addition, to ensure further participation of minority- and women-owned businesses, it is important to identify ways to foster networking opportunities between prime contractors and minority- and women-owned firms interested in subcontracting opportunities.

Contracts with Minority-Owned and Women-Owned Businesses

The Board tracks the diversity of a company by its business size (small or large) and by its ownership classification (such as minority-owned or women-owned). The Board is more likely to receive a more diverse pool of vendor applications in some areas than others. For example, the Board has encountered a number of diverse vendors in the areas of temporary staffing, IT staffing, IT consulting, and office supplies and furnishings. Conversely, the Board does
not receive a diverse pool of vendor applications from firms that provide economic and statistical data.

During 2011, the Board’s procurement contracts for goods and services totaled $125,070,569. Of this total, $15,414,147, or 12.3 percent, was awarded to minority-owned or women-owned businesses. Specific awards by contractor classification are as follows:

- minority-owned businesses (excludes women-owned businesses) = $9,028,526 (7.2 percent of total);
- women-owned businesses (excludes minority women) = $4,237,038 (3.4 percent of total); and
- minority women-owned businesses = $2,148,583 (1.7 percent of total).
Financial Literacy Activities

The Board is dedicated to enhancing economic and financial literacy. The financial literacy program provides educational programs and resources for educators and students through workshops, classroom curricula, and other resources related to concepts of economics and personal finance.

In April 2011, Chairman Ben Bernanke provided a statement for the record, for a hearing held by the U.S. Senate Homeland Security and Governmental Affairs Subcommittee on Oversight of Government Management, in which he highlighted the importance of financial literacy to a stable and healthy economy. He also described some of the Federal Reserve System’s efforts to help Americans make informed financial decisions. Specifically, the Chairman noted that exposing young people to financial concepts is particularly important and that the Federal Reserve is committed to helping teachers and schools work more effectively with students to develop financial literacy. For example, the Federal Reserve provides a financial and economic education website (federalreserveeducation.org) that features a variety of resources for teachers and students of various ages and knowledge levels.

The Board also participates in community outreach events and programs, examples of which are listed below.

• Financial Literacy Day on the Hill: The Board participated in the ninth annual “Financial Literacy Day on the Hill” on April 15, 2011, in the Cannon House Office Building in Washington, D.C. and provided financial publications and education program information to participants.

• Congressional Black Caucus Annual Legislative Conference: In September 2011, the Board sponsored a booth at the 41st Annual Legislative Conference. Financial education materials and information on how to access the System’s public website for additional information regarding financial literacy were distributed to exhibit fair attendees.

• FedEd Program: During the summer of 2010, research assistants from divisions within the Board developed and implemented a program to work with local high-school students to improve understanding of personal financial subjects and the role of the Federal Reserve System in the economy. Subjects covered include budgeting, credit and the time value of money, and the importance of saving. Since the inception of the program, more than a dozen presentations have been made to middle- and high-school students in the Washington metropolitan area. The program is continuing in 2012 with an expanded focus on high schools with high minority and female student populations within the urban communities of Maryland, Virginia, and Washington, D.C.

• Education and Training Materials Distribution: During 2011, the Board provided financial literacy materials to the Ready to Achieve Mentoring Program (RAMP), a project of the Institute for Educational Leadership. RAMP is a high-tech, career-focused mentoring program being implemented by organizations across the country to promote employment and continued learning opportunities for underserved, at-risk youth. The Board provided training materials to PEN OR PENCIL: Writing a New History, a program developed by the National Alliance of Faith and Justice and the National CARES Mentoring Movement. The program’s goal is to provide mentoring that will assist underserved youth in developing a keen and improved understanding of all aspects of financial literacy.

• The Jump$tart Coalition for Personal Financial Literacy: The Board continues to partner with and serve on the JumpStart Coalition Board of Directors. In its 15-year history, Jump$tart has brought visibility and—through its biennial survey of high-school seniors—research-based data to the financial literacy movement. JumpStart is a Washington, D.C.-based not-for-profit organization that seeks to improve the personal financial literacy of students in kindergarten through college. The Board
plans to continue its partnership with the Washington, D.C. Jump$tart chapter.

• In the spring of 2012, Chairman Bernanke delivered a four-part lecture series at the George Washington University about the history of the Federal Reserve and its response to the 2007–2009 financial crisis. The series was live-streamed to the public and was available on the Board’s public website: www.federalreserve.gov/newsevents/lectures/about.htm.

Going forward, the Board is developing a strategic plan for continued implementation of the goals of section 342. The plan includes a proposal to convene a meeting of senior-level educators from the school systems in the Washington metropolitan area. The purpose of the meeting is to ascertain the goals of the respective school systems as related to expansion of financial education opportunities for the student population and to explore ways that the Board could add value and assist in achieving those goals. The Board will also pursue partnerships with financial education entities such as the Institute for Financial Literacy and the Council for Economic Education. Such partnerships will serve to enhance the Board’s ability to develop and deliver the most meaningful financial education products to our partners and our community.

The Board will continue its outreach efforts and will continue to participate in conventions and seminars given by national groups such as the National School Boards Association.
Section 342 requires the Board and the other agencies with Offices of Minority and Women Inclusion to develop standards to assess the diversity policies and practices of the entities the agencies regulate. Board staff have met regularly with the staff of other financial regulatory agencies to establish a common framework for compliance with this provision of section 342. The regulatory community believes that a uniform approach is important to ensure that all entities are subject to similar standards regardless of regulator. This is particularly important because some entities are regulated by more than one agency, and conflicting or overlapping expectations could create significant confusion for the industry. The agencies are discussing a variety of approaches to implementing this provision of section 342 in a way that will have maximum impact while limiting regulatory burden and remaining within the constraints of the statutory authorization.

In order to develop a framework for standards that promote good faith efforts for diversity and EEO, the financial regulators hosted a roundtable of financial industry trade groups on February 20, 2012. Approximately 10 industry groups attended. The roundtable discussion focused on how to engage members on leading practices for diversity and EEO. Based on the feedback received, the financial regulators will establish a schedule of roundtable discussions with financial institutions and other regulated entities to further develop standards for the diversity policies and practices of regulated entities.
Appendix A: EEO-1 Report for the Board of Governors of the Federal Reserve System for Calendar Year 2011

Employer Information Report EEO-1
Federal Reserve Board, 2011 Employer Information Report

<table>
<thead>
<tr>
<th>Occupational Categories</th>
<th>Total Employees</th>
<th>Race/Ethnicity</th>
<th>Non-Hispanic or Latino</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>1.1 Exec. Sr. Lvl Mgrs, Governors, Officers, FR-29 &amp; FR-28</td>
<td>343</td>
<td>201</td>
<td>142</td>
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<tr>
<td>by total</td>
<td>100.00%</td>
<td>58.60%</td>
<td>41.40%</td>
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<td>by percent</td>
<td>100.00%</td>
<td>46.91%</td>
<td>53.09%</td>
</tr>
<tr>
<td>1.2 1st/Mid Lvl</td>
<td>81</td>
<td>38</td>
<td>43</td>
</tr>
<tr>
<td>by total</td>
<td>100.00%</td>
<td>46.91%</td>
<td>53.09%</td>
</tr>
<tr>
<td>Officials and Managers Total</td>
<td>424</td>
<td>239</td>
<td>185</td>
</tr>
<tr>
<td>by total</td>
<td>100.00%</td>
<td>56.37%</td>
<td>43.63%</td>
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<tr>
<td>2. Professionals</td>
<td>1,459</td>
<td>775</td>
<td>684</td>
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<tr>
<td>by total</td>
<td>100.00%</td>
<td>53.12%</td>
<td>46.88%</td>
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<tr>
<td>3. Technicians</td>
<td>6</td>
<td>2</td>
<td>4</td>
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<tr>
<td>by total</td>
<td>0.00%</td>
<td>33.33%</td>
<td>66.67%</td>
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<tr>
<td>4. Sales Workers</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>by total</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>5. Admin Support Workers</td>
<td>154</td>
<td>27</td>
<td>127</td>
</tr>
<tr>
<td>by total</td>
<td>100.00%</td>
<td>17.53%</td>
<td>82.47%</td>
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<tr>
<td>6. Craft Workers</td>
<td>42</td>
<td>41</td>
<td>1</td>
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<td>by total</td>
<td>0.00%</td>
<td>97.62%</td>
<td>2.38%</td>
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<td>7. Operatives</td>
<td>12</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>by total</td>
<td>0.00%</td>
<td>96.67%</td>
<td>3.33%</td>
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<tr>
<td>8. Laborers and Helpers</td>
<td>177</td>
<td>142</td>
<td>35</td>
</tr>
<tr>
<td>by total</td>
<td>0.00%</td>
<td>75.18%</td>
<td>24.82%</td>
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<tr>
<td>Total Workforce</td>
<td>2,274</td>
<td>1,238</td>
<td>1,036</td>
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<tr>
<td>by percent</td>
<td>100.00%</td>
<td>54.44%</td>
<td>45.56%</td>
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