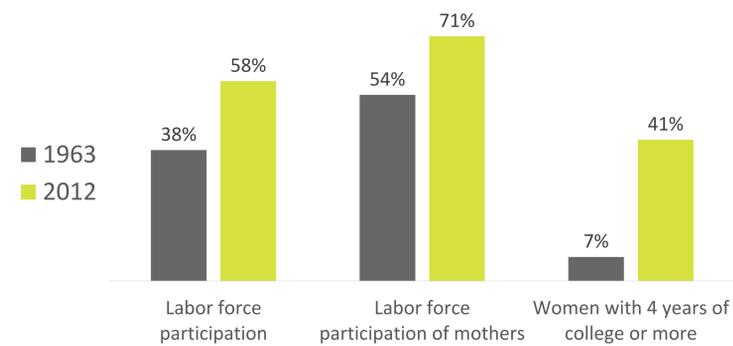


Pathways to Progress: Evaluating Gender Equality in U.S. Financial Services

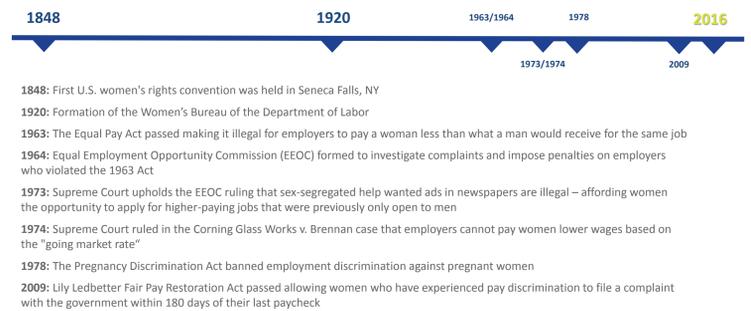
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In the United States, women have not always shared equal rights with men. Since the formation of the National American Woman Suffrage Association, women have achieved the right to vote, secure political office, and have lobbied for fair working conditions through monumental legislation. Despite positive trends in achieving gender equality in the workplace, gender analyses of the labor market point to persisting inequality in the form of an earnings gap and underrepresentation in top-level management positions. In recent years, debate in the intellectual community has surfaced surrounding the validity of such findings. While critics disagree on the widespread magnitude of such inequality, a consensus has formed that certain industries are more susceptible to poor inclusion and equal opportunity efforts. The purpose of this literature review is to provide an overview of existing research contributions to the study of gender inequality specifically in the Financial Services industry. Evidence from this review suggests that gender equality in financial services has improved with time, yet inequality still persists. Ultimately, the author found that the origins of gender inequality are multi-faceted and therefore must be combatted through a combination of efforts. To ensure pathways to progress, companies within financial services must adapt policies to secure equal opportunities and commit to strategies to determine a healthy gender diversity quotient.

Over the past fifty years, women have become increasingly involved in pursuing their careers.¹



Positive trends in female labor force participation and education are linked to equal opportunity legislation.



How far have we truly progressed and how much further do we have to go?

Problem 1: Earnings Gap

On average, women earn 78 cents for every dollar that a man earns across occupations. This gap widens in financial services. Among the 10 U.S. occupations with the lowest women's to men's earning ratio, 3 are financial services careers.¹



Explanations

1 Sex Segregation

Women earn 64.7 cents to every male dollar in Banking and 61.5 cents in Insurance.² This gap narrows when occupation and establishment are controlled for:



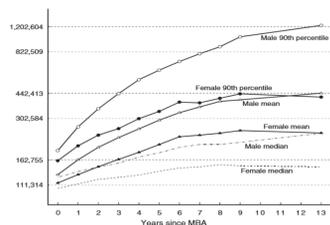
Finding A: Wage differences between men and women result from 3 variables: sex segregation (allocative discrimination/valuative discrimination) and within-job discrimination.²

Finding B: Wage differences due to within-job discrimination range from 1-5% depending on rank. Thus, sex segregation, not within-job wage discrimination, is the driving force for observed wage differences.²

2 Sex Segregation & Human Capital Variables

One decade post-graduation female MBAs on Wall Street earn nearly 60 log points less than their male cohorts. When human capital variables and sex segregation are controlled for, the earnings gap narrows to 6.4 log points.³

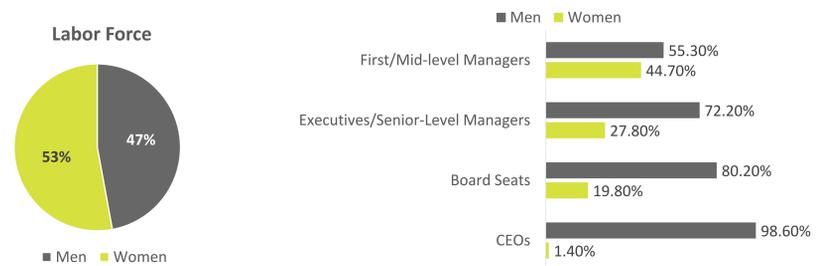
Finding C: MBAs have nearly identical earnings at the beginning of their careers, but earnings soon diverge – compounding favorably with time for men.³



Finding D: Career interruptions and hours worked are the variables primarily responsible for the diversion of earnings.³

Problem 2: Underrepresentation in Top-level Management

Even though women comprise 53% of the financial service industry's labor force, they are the gender minority across all levels of leadership. Women are especially underrepresented in top-level management.⁴



Explanations

1 Implicit Bias

Implicit gender bias helps to create and sustain vulnerability throughout a female's career in financial services. This bias is attributed to a female disadvantage in financial services.

Finding A: Competence is perceived as gender neutral but is significantly associated with qualities traditionally viewed as masculine – such as aggression and assertion.⁵

Finding B: In-group preferences affect comradery and the endorsement of others.⁶ These preferences offer an explanation for the stagnant progress in gender diversity among top-level management.

2 Limited Female Talent Pool

Only 22% of women in the Finance, Banking, and Insurance industry aspire to participate in formal board service. Aspirants and non-aspirants have statistically significant median differences.⁷

	Aspirants	Non-aspirants
Median Age	30-39	40-49
Median Education	Some Graduate	Bachelor's Degree
Management Level	Mid-level	First-line
Total Work Experience	11-20 years	11-20

Finding C: Aspirants, although younger, are more educated and have reached higher positions within their careers in less time. This finding points towards a generational difference in aspirants' career paths.⁷

So what?

There is a new and developing body of research exploring the business case for gender diversity. These studies have linked gender diverse boards to stock returns, accounting conservatism, and smaller premiums in mergers and acquisitions.^{8/9/10} Studies have found that female CEOs are more likely to avoid risky investment and financing decisions and manage firms with lower leverage.^{11/12} These findings showcase that gender equality is not merely a social issue, but also a strategic business opportunity. To ensure continued pathways to progress in financial services, companies must (1) recognize the business case for gender diversity (2) commit to policies to secure earnings equality and (3) ensure that the career track to top-level management is hospitable for both males and females.



#RISEPathways2Progress

Is there gender parity in your field?
Why is equal opportunity important in the workplace?

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