

Weighed down

Figures reveal full extent of gender pay gap across investment profession



STEPHEN LITTLE

Forcing companies to reveal their gender pay gap data has shone a light on the vast pay disparity between men and women in the advice and fund management sectors.

New legislation requires public and private firms with more than 250 employees to publish details of the difference in pay between men and women, with fines for companies that failed to meet the 4 April deadline.

The figures will be embarrassing for firms that pride themselves on their diversity and provide a stark reminder just how far the investment industry has to go until women are on an equal footing with men.

Many companies in the male-dominated asset management sector have blamed the gap on the lack of women in senior roles.

After revealing their gender pay gaps a host of firms have now committed to diversity initiatives that aim to redress the balance.

Money Marketing spoke to fund managers and advisers to find out how the investment industry is confronting the gender pay gap and whether it is doing enough to reduce the imbalance.

Explaining the gap

The issue is a complex one, with no sole cause. While there are laws against discrimination, according to data filed by companies to meet the new rules, salaries of men in the fund industry are up to 46 per cent higher than those of women, while for bonuses the difference is as high as 80 per cent.

Firms argue the discrepancy is not down to men being paid more for the same job. Most fund management companies have said that it is not a result of women being paid less, but because there are more men in senior positions where salaries and bonuses are higher.

Before its merger with Aberdeen Asset Management, Standard Life's report shows that men were paid on average 42 per cent more than women, while men at Aberdeen earned an average of 34 per cent more.

Standard Life chief people officer Kerry Christie says that while there is no quick fix, the firm will be looking to accelerate the closing of the gap over the next few years.

Christie says: "We know that the gender pay figures we have published show we need to take action. We are absolutely committed to improving them and we have said from the outset

that we welcome this legislation as a catalyst for change."

Hermes Asset Management has a mean gender pay gap of 30 per cent and a mean bonus gap of 63 per cent.

Hermes head of business development Harriet Steel says: "I think some firms have been blissfully unconcerned or unaware how bad their numbers are, and that's because they haven't had to confront it. The reasons are quite simple – it's because there are not enough women represented in the more highly paid senior positions.

"Forcing firms to disclose and being aware of what their gender pay numbers look like is the first step towards taking longer-term action to bring about change."

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According to a 2016 study by Morningstar, just 13 per cent of UK fund managers are women.

One possible explanation is that the diminished reputation of financial services in general since the 2008 financial crisis has deterred many women from considering it as a worthwhile career choice.

Many commentators also suggest that they are put off by the high proportion of men and the 'laddish culture' in some parts of the industry.

Steel says: "Not enough women are coming in at entry level because the industry has an image problem and is not seen as a female-friendly. We are also losing them along the way. When women leave to start a family it's quite difficult to return, especially to a senior investment role."

She adds: "I think that women should be encouraged that firms are disclosing their gender pay gap figures and taking active steps to improve it. For those coming into the industry it is going to be a far better place to work as a result."

Closing the gulf

Firms in the asset management industry are finally waking up to inequality in the workplace and are increasing their number of female employees and promoting more women. Many of the larger firms have signed up to initiatives such

as the 30% Club and the Women in Finance Charter, which both aim to boost female representation in financial services.

Asset managers are implementing mentoring programmes and are also looking to improve the gender mix in recruitment shortlists.

Old Mutual Global Investors has a mean gender pay gap of 29 per cent, while the mean bonus gap is 83 per cent. To tackle the problem, Old Mutual Wealth says it is looking to improve the gender balance at all levels of seniority. It aims to have women in 40 per cent of senior management roles by the end of 2020.

To do this the firm has adopted a diverse shortlist policy for all new senior hires to widen the pool of candidates and is opening new recruitment channels. It is also raising awareness of diversity throughout its business to help reduce unconscious bias.

Old Mutual Wealth responsible business director Jane Goodland says: "At Old Mutual we are tackling an array of problems to reduce the gender pay gap, including the structural underweight of women in higher-paid roles.

"There is a tendency for people to employ people in their own image, so firms need to look at their recruitment strategies.

"It is important to recognise this is not going to be an overnight thing. Because of the reasons of what is driving the gender pay gap, these are structural things.

"You can't basically go and swap out all the men for women. It is about evolving the business and widening the recruitment pool.

"We are also looking at our own practices in terms of what can we do to keep women who leave to start a family. We want to make sure we create the right conditions for people to stay with us."

More work needed

The decision by the government to compel firms to publish their gender pay figures has forced the fund management industry to confront the problem of pay disparity head on.

But while initiatives and targets to improve diversity are all well and good, are firms really doing enough?

Founder of City Hive, a network for women in the asset management industry, Bev Shah says: "Initiatives are important, but so is engagement. There is no point having

innovative initiatives in place if employees do not know about them or take them up. These are great for PR but will not improve gender pay gap numbers in the short or long term."

Shah believes more needs to be done at an earlier stage. She says: "One reason women don't gravitate to our industry is because at school we are unaware of the investment industry as a career option.

"Another reason is the entry requirements – science, technology, engineering and mathematics degrees – which also tend to also have a bias towards men."

Despite the progress being made by the asset management industry, Shah warns that the rush by firms to close the gap could have negative consequences.

She says: "A quick closing of the gap will also be a worry as we don't have the talent pipeline in place from a numbers perspective. So promoting and hiring just because of gender is detrimental. No matter what, the job should always go to the best candidate on merit.

"What we need to ensure is the women who are eligible for promotions and senior positions are seriously considered along with male counterparts. This is what will make a difference to closing the gap slowly.

She adds: "I know there are many studies that show a business case for more women in the workplace and improvements to the bottom line. This is a happy outcome but should not be the reason for evening up the scale. Gender equality is a good enough reason."

So is it time to impose gender quotas at boardroom level to improve female representation?

Steel thinks so: "I used to think quotas risked tokenism, ultimately posing a threat to the whole effort if women got roles they were not qualified for. But I have come round to thinking that maybe they could result in quicker action.

"In terms of the gender pay gap, I don't think it is just about getting women on boards – what is important is getting women into senior executive positions.

"This means firms have to start thinking outside of the box and hiring laterally from different industries."

Aspect8 chartered financial planner Claire Walsh believes firms should be promoting more women to senior roles to attract female candidates as "no one wants to be an outsider". However, she does not think there should be blanket

INVESTMENT

HOW THE GENDER PAY GAP STACKS UP

COMPANY	MEAN PAY GAP	MEDIAN PAY GAP	MEAN BONUS GAP	MEDIAN BONUS GAP	% OF MEN WHO RECEIVED BONUS PAY	% OF WOMEN WHO RECEIVED BONUS PAY
Aberdeen Asset Management	34%	31%	70%	59%	90%	92%
Aviva	23.8%	21%	46.4%	55.6%	88.7%	88.1%
Axa Investment Management	29.7%	27.2%	71.9%	3.2%	89.4%	88.3%
Baillie Gifford & Co	23.3%	17.9%	55%	25.5%	98.3%	97.9%
Brewin Dolphin	38.2%	40.7%	75.5%	62.5%	87%	88%
Coutts & Company	28.2%	24.4%	61.8%	33.7%	78.1%	69.3%
Fidelity	23.4%	25.4%	69.1%	54.7%	87.4%	87.8%
Franklin Templeton Global Investors	19.4%	20.4%	34.8%	34.9%	92.8%	94%
Hermes Fund Management	30.2%	24.4%	63.1%	5.7%	87.4%	87.8%
HSBC Global Asset Management	40%	39%	62%	61%	95%	95%
Insight Investment Management	29%	32%	66%	64%	96%	92%
Jupiter Asset Management	38%	25%	84%	52%	91%	92%
JM Finn and Co	46%	40%	72%	69%	93%	92%
Legal & General Investment Management	21%	21.4%	54.6%	55.2%	93.4%	89.9%
Man Group	21.4%	27.5%	67%	57.7%	84.3%	86.1%
M&G Limited	33.2%	32%	83.5%	59.4%	97%	95%
Newton Investment Management	18%	20%	48%	57%	98%	96%
Old Mutual Global Investors	29%	31%	83%	65%	92%	87%
Octopus Capital	38.1%	40.3%	75.6%	71.9%	97.9%	98.3%
Quilter Cheviot	45%	45%	69%	63%	90%	87%
Schroder Investment Management	27%	28.9%	74.8%	60%	92.8%	90.8%
St. James's Place	47.2%	46.4%	80%	42.6%	81.3%	86%
Standard Life	42%	31%	70%	53%	93%	94%
State Street Global Advisors	18.1%	11.8%	54%	24%	93%	88%
Tenet Group	28%	32%	11%	26%	87%	85%
Threadneedle Management Services	29%	25.4%	69.1%	66.4%	96.6%	94.2%

SOURCE: GOV.CO.UK

quotas. She cites the 30% Club, a campaign launched in 2010 that aims to achieve a minimum of 30 per cent women on FTSE 100 boards, as an initiative companies should be trying to replicate.

She says: "The 30% Club does not believe in mandatory quotas. How firms achieve a 30 per cent target of female representation is up to them.

"Generally, if you try to force people to do things people they will rally against it. Any initiatives have got to be seen as a positive step otherwise men and women will both resent it."

She adds: "There definitely seems to be a culture of companies moving from just paying lip service.

"But firms must remember that there is a crucial difference between simply ticking boxes on pay equality and actually being committed to following through with policies."

After taking a break to have children women can struggle to return to the workplace, with companies often sceptical of working mothers with a career gap.

Trium Capital sales director Sue Petrie says that asset managers need to do more to help women return to the workplace after maternity leave to stop them leaving the industry.

She says: "It is an absolute waste that there are so many women who can't find their way back to work after having children.

"I know so many mothers who would love to work but don't know how to get back, and firms don't offer flexible hours.

"Firms should offer more support. I think the industry needs to understand you don't have to be in the office five days a week, as with technology you can quite easily work from home.

"I don't think women with children are offered enough encouragement, so there's a talent drain."

EXPERT VIEW



HELENA MORRISSEY

More women will drive better investment results

The large gender pay gaps reported by fund management firms come as no surprise, but are a painful reminder of how far the industry has to go before reaching anything like gender balance.

Our profession remains highly male-dominated. Tilney's fifth annual review of UK retail fund managers showed the highest proportion of women yet – but this is still less than 10 per cent.

The scarcity of female money managers really matters – for investment results, for connecting with clients and for our ability to attract the best talent.

I'm often asked to prove the business case for gender diversity – and point out that there's certainly no business case for 90 per cent of one gender running things. Empirical studies do suggest that

female investors tend to perform at least as well as men, but more compelling are studies around the collective intelligence of teams, showing not just a correlation but a causal relationship between better gender diversity and improved results.

Within the industry, there is little argument about this: 50 firms have formed the Diversity Project, a collaborative, intensive effort to attract and retain diverse talent.

Our biggest challenge is to break the chicken-and-egg problem. The industry is not just male-dominated, but perceived

Fund management can be a great career, not just for women but for anyone who wants a balanced life

as 'traditional' in other respects.

Many people are unaware of what we actually do, do not see any social purpose to our work, the way we actively engage with companies and think beyond just the numbers.

To really close the gender pay gap, we need to engage in the issues of the day, to demonstrate our social value and actively develop our existing diverse talent.

The big breakthrough won't happen overnight, but I am more confident than ever before that the commitment – and opportunity – is there.

Fund management can be a great career, not just for women but for anyone who wants a balanced life. Ultimately, it's all about performance, not hours at a desk. *Helena Morrissey is head of personal investing at Legal & General Investment Management*