

ACCA POSITION PAPER

Equality: Women in Financial Services

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Introduction

ACCA (the Association of Chartered Certified Accountants) is the global accountancy body with over 131,500 members and 362,000 students in 170 countries worldwide, whom we support through a network of 82 staffed offices and centres around the world.

Throughout our 105-year history we have provided opportunity to people of talent and application regardless of background and have succeeded in making the accountancy profession accessible to those normally denied further or professional education. We support any initiatives which support equal opportunity for all and which remove unnecessary barriers to people qualifying as professional accountants.

ACCA was the first accountancy body to admit women to its membership in 1909. In terms of the demographic of ACCA students, 42% of our global membership is female (at the end of 2008). The core values of the organisation today – opportunity, innovation, integrity and diversity – are consistent with its founding principles, for example in relation to social mobility, fair access and routes for progression.

11 of our 34 strong senior management team around the world, including our CEO, are women (32%).

In compiling this evidence, ACCA consulted many of its female members working in financial services, in order to ensure that their views are represented and this paper is framed around their views. Many of their comments are quoted in this paper, but the quotes are not attributed as this may have caused them difficulties with their employers.

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Summary of key points and recommendations

1. Evidence proves that companies need gender balanced senior management teams to participate in the global market strategically and wisely.
2. Organisations should build support programmes and provide access to role models, networks and mentors to help female colleagues overcome obstacles and to succeed.
3. Under existing anti-discrimination legislation, it can often take several years for cases of discrimination to be settled. This is too long and deters women from taking such action. This in turn makes the legislation less effective. ACCA believes that this unacceptable and should be addressed so that the law has more muscle.
4. Stereotypes should be challenged through management training throughout organisational structures, and diversity education to broaden perceptions and promote the business case for diversity.
5. Organisations should set clear and transparent performance standards and evaluation criteria for promotions rather than making these decisions purely on personality.
6. Women should be provided with training in leadership, influencing and negotiating skills to equip them for senior management roles.
7. Transparency is the key to overcoming gender inequalities in financial services. To allow for greater transparency, ACCA recommends that companies should routinely report gender-disaggregated HR data. We also recognise an urgent need for standardised reporting of key performance indicators (KPIs).
8. Measurement is a key element in this debate, and an appropriate way needs to be found to measure and publish pay differentials.
9. The key to encouraging SME compliance with anti-discrimination legislation is effective support and guidance from governments for all businesses, large or small.

The importance of gender balance in financial services

Target-driven (often mostly male) management teams in the financial services industry have been blamed for a culture of excessive risk-taking that has damaged the global banking system. However, many studies confirm that men and women bring different and complementary sensibilities and leadership styles to the table. For example, research suggests that women are less willing than men to take extreme risks. A 2005 study from the Center for Financial Research at the University of Cologne¹ entitled *Sex Matters: Gender and Mutual Funds* documented differences between male and female fund managers: women managers tended to take less extreme risk and to adopt more measured investment styles (which perform well over time).

“Encouraging more women into senior positions is absolutely not about quotas. It is about creating an environment of meritocracy, where anyone with the skills knowledge behaviours and ambition can succeed.”

There is also a wealth of academic research showing that mixed management teams make better decisions and are more innovative, for example, Columbia University's 2008 report² *'Girl Power': Female Participation in Top Management and Firm Performance* provides data suggesting that firms that promote women to senior management positions have superior economic performance due to the different skills women bring to the table. Companies need gender balanced senior management teams if they are going to participate in the global market strategically and wisely.

“Anecdotally obviously it is very clear that financial services is sexist, which will partly show up in statistics and partly will not. I would argue that it is not due to a lack of controls, but due to the prevailing culture. Also there is indirect discrimination of recruiting people who are like you. Personally I think flexible working etc is just a red herring.”

1. <http://www.fma.org/SLC/Papers/SexMatters.pdf>

2. http://www4.gsb.columbia.edu/ideasatwork/feature/137194/When+women+rank+high,+firms+profit?&layout=cbs_print&top.region=main

Why is there a lack of female senior managers in financial services?

“In our business 3 out of 7 of the executive team are women and at the next level down we have a fair representation of women too. The 2 most senior positions are held by men but there would be nothing to prevent a woman from being appointed.”

Despite long-standing anti-discrimination legislation in many countries around the world, including in the US, UK and across Europe, women remain under-represented in financial services, most noticeably in high-level posts, with women still a small minority in the boardroom. According to the *2008 Catalyst Census of Women Board Directors of the Fortune 500*,³ women held 15.2% of directorships at Fortune 500 companies, while the number of companies with no women board directors increased from 59 in 2007 to 66 in 2008.

The *Grant Thornton International Business Report, 2009*⁴ shows that the greatest percentage of women in senior management is in the Philippines where women hold 47% of senior positions. This is followed by Russia (42%) and Thailand (38%). The lowest percentage continues to be in Japan where only 7% of senior management positions are held by women.

“The women in senior roles are all in the seemingly ‘soft’ roles of HR and communications.”

ACCA members have found that there is often technically nothing preventing women from being promoted to senior management positions, although statistics quoted above show that they are still usually held by men.

Encouraging women into senior management positions is a crucial part of the global drive to improve equality between men and women. There is likely to be a range of reasons why women do not reach this level as often as men. The following were identified by the members we consulted in compiling this evidence.

Although many of our female members reported having experienced discrimination, this was not so much in terms of direct sexism. Rather it was in terms of entrenched attitudes and assumptions made by senior colleagues that damaged women’s career progression opportunities.

“Women behaving assertively are told that they are too aggressive (despite the behaviour being less ‘aggressive’ than their male peers). I’ve heard this a number of times.”

This cannot be allowed to continue and firms need to take steps to ensure that covert sexism is rooted out, by measures such as including that interview and selection panels include a woman – not always in the HR representative role.

3. http://www.catalyst.org/file/242/08_census_wbd_jan.pdf

4. <http://www.grantthorntonibos.com/>

Women can be less likely to be given the types of development opportunities necessary to support progression into higher levels of management. Those women who do receive the necessary development often seek out these opportunities themselves.

For women starting out in financial services, it can be difficult to find other women they can look to as role models, or to find peers that they can confide in. Mentors and other supporters are often integral to success – not having access to them can place women at a disadvantage. Global research from ACCA in our 2008 publication: *The Coaching and Mentoring Revolution – Is It Working?*⁵ suggests coaching and mentoring is being poorly practised across the finance profession, revealing a lack of understanding of good practice and ultimately leading to poor returns on training investment. This is an area where better systems are needed.

“Whilst I agree that development programmes are valuable, this is only 10% of the learning experience for an individual. The other 90% is around learning on the job and learning from others. The importance of role models and the strength of the organizational culture around diversity and inclusion is key to success. Appropriate role models at the top of the organisation will drive success eg at Board and management committee levels so care over appointments at this level must be taken.”

Self confidence can be a key issue. Women are less likely than men to make speculative job applications for posts; self-confidence is also a factor in the lower salaries negotiated, on average, by women compared to men. This is an area where having a female mentor to provide support and encouragement may be of benefit.

Organisational culture and stereotypes can perpetuate inequality, based on managers’ gendered preconceptions. For example, there is a tendency for senior managers to recruit ‘in their own image’. This can make it difficult for women to be seen as appropriate potential employees. Staff are also often promoted and rewarded, based on their personal affinity with senior managers rather than on objective, transparent criteria.

“The discrimination I have experienced has largely been when I reached the bottom of the senior management level ie you are allowed to go so far on ability, but no further.”

“Indirect discrimination, ie for Chief Internal Auditor roles at the moment, companies are often looking for someone who has already done the role – this is mainly men.”

There can be a reluctance to move women into jobs that require long hours and extensive travel, based on concerns about their ability to balance career and family.

“At a very recent interview within a medium-sized building society, I was asked if I have any children.”

5. <http://www.acca.org.uk/pubs/mhc/research/previous/coachingandmentoring.pdf>

Women may be less prepared than men to make the sacrifices required to work as a senior manager – there is a widely-held but infrequently articulated view that women can not be married or have children if working at this level. Again, they may not have any female role models already in these positions encouraging them.

Women who move to part-time working for family reasons may find they are subsequently overlooked for promotion. Flexible working, according to feedback from our members, is either not implemented equally across an organisation, is not possible at higher levels, or is perceived as being frowned upon. There can be a ‘show-face’ culture in many roles, particularly in financial services, which classes part-time as non-work.

A key obstacle is the perception that women make weaker leaders and decision makers. Gender stereotypes continue to portray strong executives as predominantly male.

“Feedback from male bosses that might help progression often doesn’t get through. Men are afraid the woman will have an emotional reaction or take any criticism personally. If we don’t get this advice though, it is difficult to climb the ladder.”

Many financial service organisations have already implemented programmes to ensure that women are being mentored and assisted to achieve their full potential. However, some key middle managers who are responsible for putting key portions of diversity programs into action still do not believe in the importance and necessity of these programmes and are therefore hindering their full implementation. This needs to be addressed to ensure that these programmes are more than just a gesture.

“I cannot stress enough the importance of the staff/line manager relationship. A line manager has a critical role to play as a coach and sponsor to their staff to help them reach their potential. In my view an element of a manager’s performance should be based around their role in developing talent within their area.”

These underlying reasons need to be understood and ways should be explored to ensure that women are given more opportunities to advance their careers within financial services.

ACCA’S RECOMMENDATIONS

- Organisations should build support programmes and provide access to role models, networks and mentors to help female colleagues overcome the obstacles and to succeed.
- Stereotypes should be challenged through management training throughout organisational structures and diversity education to broaden perceptions and promote the business case for diversity.
- Organisations should set clear performance standards and evaluation criteria for promotions.
- Women should be provided with training in leadership and negotiating skills to equip them for senior management roles, and coaching could also be used to assist women in confidence building and identifying higher goals.
- This training or coaching should be offered as early as possible as well as at key career transition points.

“Focused development at key career transition points is absolutely critical. The first 90 days in a new role are the key to demonstrating early success.”

Pay inequalities

The gender pay gap (including bonuses and other perks) is often larger and more persistent in financial services than in any other sector of the economy. For example, a report published in April 2009 by the UK's Equality and Human Rights Commission⁶ revealed that there is a significant gender pay gap in the financial services sector and that this gap increases in the case of the highest paid positions. Although a similar number of men and women are employed in the financial services sector, the report notes that women are 'substantially underrepresented' in managerial jobs, including those at the most senior level.

"I doubt that there are many women working in financial services who don't suspect that they are being paid less than male colleagues. But it's the attitudes that need to change, not the law."

ACCA calls for companies around the world to eliminate pay discrimination by carrying out pay audits which identify where discrimination occurs, and in particular encourages governments to ask larger companies to take a more transparent approach to the pay gap and how wages are decided. The secrecy that surrounds pay and bonuses often results in female employees being short-changed.

Many large financial services companies outsource the design of their pay structures. The pay structure systems they buy from consultants are based on benchmarking skills and responsibilities, like-for-like, against the market. This perpetuates any imbalances or excesses already in place. There is therefore a strong case for engaging with these consultants in order to encourage a change in the status-quo.

In many countries around the world, cases relating to unequal pay and other discrimination issues often take several years to settle. This can deter women from taking such action, in turn making the legislation less effective. ACCA believes that this unacceptable and should be addressed so that the law has more muscle.

ACCA believes that, without a transparent, robust and objective analysis of pay and progression issues, any programme of action to avoid further failures in this sector will be incomplete.

6. *Employment and earnings in the finance sector: A gender analysis*, April 2009

The prevalence of flexible working practices

Many women believe flexible working has a negative effect on career progression, with some of our members saying employers see them as less committed to their job if they are not in the office. Others added that colleagues often frown on flexible working and that the discretion of managers is important in making it happen.

“There are some women in senior management who use flexi-time or work from home sometimes, but in many areas of the financial sector, this is not used, or is frowned upon, especially by other senior managers. There is this idea that dedication means being at your desk 24/7.”

Even though employers may support flexible working it can often be more a theory than reality. However, a poor work/life balance is often cited as a key reason for women leaving financial services. To retain female employees, it is important to open up family-friendly career paths and to ensure that they are used as intended. This may require further training for HR team, managers and for employees across the organisation so that flexible working is understood and supported rather than seen as encouraging work-shyness.

“We do have flexible working practices, which are mainly taken up at lower levels. A few of our more senior female managers work part time, however I think it would be difficult for this to work at the Executive level, but to date this has not been tested as it is not relevant for anyone at this point in time.”

Flexible working can also add to existing problems by giving women lower visibility in terms of perceived organisational commitment – and it can damage progression by leading to a failure to apply for senior posts for which they are qualified.

ACCA recommends that companies be encouraged to ensure that flexible working schemes are implemented effectively across the organisation and that there is no stigma attached to using them.

SMEs and Equality

Small and medium sized enterprises (SMEs) are an important part of developed and developing economies as they play a key role in creating jobs, innovation, supporting stability, macroeconomic growth and acting as a growth engine. In OECD countries, SMEs represent 95% of all enterprises, accounting for two thirds of employment and being the main source of new job creation.⁷ Their role as the backbone of many economies makes it important that issues relating to SMEs and equality are taken full account of.

Smaller firms in the financial services industry do not usually consider themselves in the context of the SME agenda. In fact, many policymakers define the SME sector in real-economy terms only. However, small financial services businesses share with their real economy counterparts a limited administrative capacity, the close involvement of owner-managers and informal, social patterns of work. These are key limitations that constrain SMEs, regardless of sector, in their treatment of disadvantaged groups.

Small financial services businesses are most commonly retail intermediaries or distributors, including financial advisers or brokers of insurance or credit. Others are 'boutique' providers of high value added advice or services in the wholesale markets. These are organisations geared towards two main goals: revenue generation and regulatory compliance.

The implications for equality are substantial. First, remuneration structures are often strongly tied with revenue generation, which forces employees to adapt their lifestyles to a volatile source of income. Second, small financial services firms are very heavily regulated – more so than any other small businesses – and their administrative capacity is usually at breaking point. Third, small financial services firms are in a 'relationships business' in which the ability to socialise with actual or potential clients, colleagues and peers in the wider industry is paramount. Finally, they are very compact, flat organisations, in which career progression in the usual sense is often difficult, regardless of gender. All of these features of the sector exacerbate the problems already existing in the wider industry.

COMPLIANCE WITH EQUALITY LEGISLATION

SMEs cannot avoid the issue of equality both when recruiting and in the day-to-day management of staff. But equality can be a difficult issue for SMEs, especially for the significant number that will not have in-house access to professional HR advice. Existing equality legislation in many countries imposes requirements that can often seem to have very little relevance to small businesses with only a few employees, or to the small business owner who hires the best candidate and does not have any other employees to compare the role, pay and status of the new employee with. Yet complying with the law still takes up a large proportion of an SME's time.

Small businesses are often more likely to employ people who want to work flexibly and would find it difficult to find flexible working conditions in a larger company. This may be because it is mutually beneficial for an SME to employ someone working flexible hours, or to employ someone older. It is usually because small businesses hire the best people they can for the job, and will strive to retain the skills and experience of those employees who are committed to their businesses.

On the gender pay gap: SMEs can pay employees less than big businesses – usually, they are not able to compete on salary with larger companies. The compensation for this can be a more positive work environment and work-life balance. For parents or older workers especially, this can be a positive choice. But cases of direct pay discrimination between men and women are very rare.

The more likely problem may be that the roles that more women work for SMEs in less well-paid roles. Tackling this will require more general policies, such as the better education of women, and better care options for children.

ACCA believes that the key to encouraging SME compliance with anti-discrimination legislation is effective support and guidance from government for all businesses, large or small.

7. *SME and Entrepreneurship Outlook*, OECD, 2005.

FEMALE ENTREPRENEURS

The *Global Entrepreneurship Monitor 2008* (GEM),⁸ a 43-country study of entrepreneurship and economic growth, and the largest single study of entrepreneurial activity in the world, found that most firms are still started and operated by men. Overall, men are twice as likely as women to be involved in entrepreneurial activity worldwide.

A gender gap persists – both significant and systematic – in new venture creation and business ownership. The gender difference is more obvious in high-income countries but exists throughout all regions, with Europe and Asia showing a greater gap than Latin America and the Caribbean.

Key findings from the report

Women who are employed and have built a social network of entrepreneurs are more likely to become entrepreneurs. The social and economic benefits of working are driving women's entrepreneurship more than increased education or household income.

There is no gender difference in the survival rate of women's businesses versus those of men in high-income countries.

"In my experience, women are more reticent than men about taking the leap to set up their own business. They can have less confidence about taking the risk and are more worried about failing. They need support and encouragement, not just from family and friends, but through having effective structures in place."

In terms of start-ups, there is also much evidence that women lack appropriate business support, have worse access to finance and are disproportionately impacted by their responsibilities as carers.

8. http://www.gemconsortium.org/download/1251281053809/GEM_Global_08.pdf

ACCA'S RECOMMENDATIONS

- There is a need for sustained long term government commitment to women's enterprise development. There is also a need for strong links between different levels of policy making and different government departments.
- Enterprise training courses specifically aimed at women should be offered where possible at schools and universities around the world.
- The significant growth in women's enterprise in the US has been aided by Federal recognition of its importance and a sustained commitment to its development over a thirty year period. It will take sustained commitment to ensure an equivalent level of development in women's enterprise within other countries.
- Women need three critical things: appropriate finance, mentoring and coaching and access to 'network' or social capital. This holistic approach to the demand and supply side is key to an effective approach to women's enterprise.
- Steps should be taken to tackle the underlying issues affecting female participation in women's enterprise (both at the start-up and the growth stages). This can include incentives such as tax relief on childcare, which can be used to encourage women to take the first step and become entrepreneurs.

WHAT CAN SMES DO THEMSELVES?

Ensure that they understand the legal requirements for equal opportunities and non-discrimination.

Develop a policy towards equal opportunities, covering all elements of equality and set targets to ensure that equality aims are being met.

Consider what changes, for example, flexible working will help people with particular needs.

Train managers and employees on equal opportunities.

The importance of equality reporting

ACCA's report, *Equal Opportunity for Women in the Workplace: A Study of Corporate Disclosure*⁹ compares UK, US and Australian companies and was undertaken by researchers from the International Centre for Corporate Social Responsibility at the University of Nottingham and La Trobe University in Melbourne.

The report finds that a minority of companies report information relating to equal pay and there is a lack of comparable reporting systems. ACCA recommends that an improved and mandatory public reporting system be introduced. To allow for greater transparency, we recommend that companies should routinely report gender-disaggregated HR data.

ACCA calls for governments around the world to embark on a programme of work with the private sector to develop a set of metrics for reporting on the gender pay gap. Measurement is a key element in this debate, and an appropriate way needs to be found to measure and publish pay differentials.

ACCA recommends that a governmental organisation, a representative business association, or accounting body take the lead on identifying agreed best practice guidance for corporate public reporting on gender workplace issues. ACCA is a leader in the development of standards for social reporting and would be pleased to contribute its technical expertise to this dialogue.

Much of the prior research on corporate accountability for equal opportunities in the UK, where reporting on women's employment issues is voluntary, has focused on reporting in the annual report. Examining disclosures up until the mid 1990s, this research found that many companies reported their equal opportunity policies, but that there was little reporting of performance information and that summaries of data collected for internal purposes were rarely included. It was concluded that self-regulatory initiatives for disclosure had limited potential for improved accountability and that there was little alternative to regulation if we sought an improvement in accountability, and the opportunity to discover where inequality of opportunity lies.

Although none of the countries studied has regulation to require public reporting, Australia and the US have different forms of reporting regulation on women's workplace issues, both of which require regular reporting to government. In contrast, the UK adopts an entirely voluntary approach.

The regulatory obligation to report to government in Australia has driven monitoring and internal reporting on gender equality in all companies where this was not already a management focus. These developments have facilitated progress and external reporting. The regulation has also acted as a catalyst, to alert companies to the business drivers for equal opportunities for women, which we found are also drivers of external reporting. In these ways regulation to report to government has been a driver of external reporting for several of our sample companies.

Data reported to government are sometimes used in public reporting (US and Australia) and the national average data published by government are used as benchmarks to report against by several US companies. The requirement to report to government has enabled civil society organisations and shareholders to call upon companies to increase their transparency on this issue by publishing this data.

Both legislative and non-legislative mechanisms are important in the process of improving equal opportunities monitoring and reporting to the public. Previous studies have recommended mandatory public reporting, and it seems that this approach may well still be necessary.

Our study has revealed a quite urgent need for standardised reporting KPIs. Governments and/or business organisations should consider producing best-practice guidance for corporate public reporting on workplace gender issues. This would best be developed in collaboration with civil society organisations. It needs to provide consistent, comparable reporting indicators and identify agreed ways of measuring these.

9. http://www.accaglobal.com/pubs/general/activities/research/research_archive/rr-102-002.pdf

Conclusion

Although we are still far from equality in financial services, many financial institutions have made progress in encouraging more women into senior positions. The playing field is level for women and men in financial services up to a point, after which there is an effective limit on advancement for many women.

Women working in financial services should be supported by their employers to reach more senior roles. Employers should offer training and skills development programmes to their female staff and encourage them to aim for the top.

Securing and maintaining the recruitment, retention and development of women in mid-management roles now, is the only way the critical mass of women in senior executive roles can be maintained in the recovery.

Programmes to recruit and retain more women and people from underrepresented groups into senior positions in financial services would not only benefit individual businesses but the economy as a whole.

Women are not one homogeneous group and the challenges of finding appropriate policy towards women's enterprise has to be seen in the context of the fact that there is no 'one size fits all' policy that will work for what is actually half of the potential labour force. As policy and support measures are reviewed, this should be remembered.

“The lack of female role models within my company has been a big challenge. Men still find it easier to identify a mentor who can help with their career progression and promotion to the next level.”

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