Institutional Investor

16.08.2013

Leaning Out: Number of Women in Finance Declines

A new study shows that the number of women on Wall Street is falling. The finance industry's culture remains a problem. By Katie Gilbert

Over the past year, a handful of prominent women have helped reinvigorate the conversation about their gender's collective ascent within the workforce. Former director of policy planning at the U.S. State Department Anne-Marie Slaughter touched off the debate in June 2012 in her Atlantic article, "Why Women Still Can't Have It All." Last fall, journalist Hanna Rosin took the other side in her book *The End of Men: And the Rise of Women,* built on the optimistic premise that women's increasingly dominant role within the global economy is all but assured. This March, Facebook COO Sheryl Sandberg gave her views on modern workplace feminism in *Lean In: Women, Work, and the Will to Lead*, advising women on how best to climb the corporate ladder.

Sandberg's advice for women on how to maximize their careers would be welcome in the financial services industry, where the dramatic underrepresentation of women in managerial levels is so evident that it's more likely to raise shoulders than eyebrows. Perhaps even more surprising — and certainly less often discussed — is the fact that despite the creation of diversity offices at financial firms as long as a decade ago, the proportion of women on Wall Street is falling.

Women are actually overrepresented across all levels of the financial services industry. They accounted for 56.1 percent of workers in finance and insurance in 2012, according to the Bureau of Labor Statistics. But this data is skewed by the large number of women in lower-level-clerical and bank teller positions. Women account for less than a third of executives at the senior management level — and that proportion is shrinking. Between 2007 and 2011, representation among top management within financial firms went from 30 percent to 28.4 percent, according to an April 2013 Government Accountability Office report.

Goldman Sachs, for example, says that 20 percent of the firm's senior management positions were filled by women as of August 2012. At Citigroup, just 15 percent of senior managers were women as of July 2012. During that period, nearly a quarter of the senior managers at JPMorgan Chase & Co. were women.

Meanwhile, the number of women in financial services as a whole is declining. In the decade between 2002 and 2012, 200,000 women left the finance and insurance industries, even as 237,000 men joined, the BLS data reveals. Securities, commodities, funds, trusts and other financial investments had the least amount of gender diversity — women comprised 38.6 percent of workers in 2012, according to the BLS data.

Why is this part of the financial services world so difficult for women to get into? Although Wall Street has come a long way from the male-dominated culture of the '80s portrayed in Michael Lewis's classic *Liar's Poker*, there's clearly still a cultural problem. The best recent example came at a Paul Tudor Jones II responded, "You will never see as many great women investors or traders as men, period, end of story." The reason, he said, is the chronic lack of focus that befalls women as soon as they bear children. (The founder of Greenwich, Connecticut–based hedge fund firm Tudor Investment Corp. has since apologized for his statement.) Unsavory as Jones's comments — and reasoning — may have been, they do raise a legitimate question: Is it true that we'll never see as many women as men in certain areas of finance like trading?

Daniel Garcia-Diaz, director of the U.S. Government Accountability Office and one of the authors of the GAO report that looked into diversity at all levels of the financial services industry, discussed the gender imbalance and the factors causing it with the heads of various firms' diversity offices in the course of his research. "There's nothing we found that was terribly conclusive or that fully explains what we're seeing in the data," he tells *Institutional Investor*.

Firm representatives complained, says Diaz-Garcia, that the applicant pools from which they recruit are already plagued by a lack of diversity. (About 37 percent of the graduates of MBA programs were female from 2007 to 2011, according to the GAO report.) This doesn't explain, however, why women would be so poorly represented at the very top levels of an organization, even though they're better represented in levels directly below and overrepresented firmwide. "Sometimes the people on the track looking for promotions into senior positions" are disproportionately white men, Diaz-Garcia says, "which magnifies that effect as you go higher into an organization."

Meanwhile, the number of women in financial services as a whole is declining. In the decade between 2002 and 2012, 200,000 women left the finance and insurance industries, even as 237,000 men joined, the BLS data reveals. Securities, commodities, funds, trusts and other financial investments had the least amount of gender diversity — women comprised 38.6 percent of workers in 2012, according to the BLS data.

Why is this part of the financial services world so difficult for women to get into? Although Wall Street has come a long way from the male-dominated culture of the '80s portrayed in Michael Lewis's classic *Liar's Poker*, there's clearly still a cultural problem. The best recent example came at a Paul Tudor Jones II responded, "You will never see as many great women investors or traders as men, period, end of story." The reason, he said, is the chronic lack of focus that befalls women as soon as they bear children. (The founder of Greenwich, Connecticut–based hedge fund firm Tudor Investment Corp. has since apologized for his statement.) Unsavory as Jones's comments — and reasoning — may have been, they do raise a legitimate question: Is it true that we'll never see as many women as men in certain areas of finance like trading?

Daniel Garcia-Diaz, director of the U.S. Government Accountability Office and one of the authors of the GAO report that looked into diversity at all levels of the financial services industry, discussed the gender imbalance and the factors causing it with the heads of various firms' diversity offices in the course of his research. "There's nothing we found that was terribly conclusive or that fully explains what we're seeing in the data," he tells *Institutional Investor*.

Firm representatives complained, says Diaz-Garcia, that the applicant pools from which they recruit are already plagued by a lack of diversity. (About 37 percent of the graduates of MBA programs were female from 2007 to 2011, according to the GAO report.) This doesn't explain, however, why women would be so poorly represented at the very top levels of an organization, even though they're better represented in levels directly below and

overrepresented firmwide. “Sometimes the people on the track looking for promotions into senior positions” are disproportionately white men, Diaz-Garcia says, “which magnifies that effect as you go higher into an organization.”

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 could help address the finance industry’s gender gap. One of Dodd-Frank’s provisions requires the creation of Offices of Minority and Women Inclusion at 20 regulatory agencies. Pamela Gibbs, director of this new office at the Securities and Exchange Commission, says her office is in the very early steps of drafting a set of diversity standards for its regulated entities. “I think the initial impulse [of financial firms] is, ‘Okay, they’re our regulators,’” she explains. “But, hopefully, over time, with the establishment of these offices, we can get them to trust that we all have a mutual goal of advancing diversity.”