WOMEN IN FINANCE

REPORT

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International Women's Day (IWD) celebrates the social, economic, cultural and political achievement of women. It is a day to raise awareness of the inequality that still exists between genders.

The increasing traction of IWD globally prompted us to truly reflect on what we, as a business, can do to progress the debate. As a recruitment firm, we have a unique insight and, more importantly, data supply on the careers of finance professionals across the UK including: salary details, benefits, candidate's priorities (flexible working etc), gender, age and more. We are not a management consultancy, however we can draw on what the data tells us and the experience of our consultants. In short this report is a broad and brief exploration into the difference in pay between men and women within finance.

METHODOLOGY

It is important to understand the data and terminology that we use throughout the report. We took a sample of 30 consultants' placements from the last 12 months; this gave us a data set of 354 candidates. We looked at a number of independent variables including: gender, years of experience, qualification (ACA, ACCA, CIMA), salaries before someone moved roles, salaries after roles are secured (not internal salary changes) and who negotiated offers (this will become important later). The language we use is incredibly important in a report of this nature, when we refer to women or men, we are referring to the average within our data set. We are not making generalisations across the industry.

PARTICIPATION

The first step in our investigation was to examine gender participation within our data set. Incredibly of our 354 candidates, exactly 177 were male and 177 were female. We were initially surprised at how evenly split the data was, however on further study we have found that the accounting profession is very balanced in terms of gender ratios. A study by Catalyst, a leading non-profit research organisation, states that within the UK 54.3% of all accountants are female and globally the number is believed to be exactly 50%. The UK has the lowest number of female accountants of the 10 biggest European nations.

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The accountancy labour market is incredibly homogeneous when compared with other professions and this is not just considering gender. When looking at ACAs for instance, most have come from a similar academic background, everyone has studied the same material, achieved the same qualification and all within the same amount of time. With each year after qualification, the scope to develop in terms of skill-set and experience broadens, but only within a certain range. Within finance there are a number of duties that need to be completed every month and every quarter which leaves limited time for other, ad-hoc experience to be gained. A finance role is an incredibly important cog in the wheel of a business but it is one of the more tangible parts of a business to quantify in terms of value provided.

More important than the 'fair test' that the gender ratio provides, the participation figures show that there is equality of opportunity for any aspiring accountant; being male or female certainly is not a barrier to the industry. The Big 4 are the largest employers of accountants and deserve credit for this in particular. All four of them have continued to take progressive stances when it comes to gender equality – EY for instance is the official campaign sponsor for International Women's day. There is still some startling evidence of it being difficult to progress within these firms however. Deloitte USA for instance became the first of any country's Big 4 firms to appoint a female CEO... in 2015!

NOW, LET'S LOOK AT SALARIES

When a candidate qualifies, they usually begin to assess their options, whether out of practice and into industry or from one firm to another for a pay-rise (ACCA/CIMA candidates). The newly qualified market is always buoyant and relatively resilient from economic turbulence. Over the past 15 months for instance, our job flow for newly qualified positions was relatively stable and in line with years gone by. With steady demand in the form of jobs and a stable supply in the form of candidates, you would expect salaries to be relatively similar for men and women. For both genders, moving at the newly qualified level is on average, the most lucrative move in terms of percentage increase in salary – about 2% more than any other later move. However, for one gender it is more lucrative than the other. Qualifying men receive an average salary increase of 13.5% when they move after their training contract. Women however receive an increase of only 11.9%. Why is this? Candidates would have received the same amount of training and opportunities to study, they would have experienced the same number of year ends (a period of pressure for any accountant), the same academic background (if Big 4) and yet, male candidates secure a percentage increase in salary 13.4% higher than that of women. There is a clear gap between salaries secured as a woman vs salaries secured as a man at this level, yet there are not many explanations for it. There is one theory that has gathered momentum in recent years regarding pay discrepancies; that of ***bargaining and negotiation.***

For the five years following qualification, the trend continues with men receiving pay increases upon moving jobs of between 13% and 13.6% and women between 11.5% and 12%. Our data shows that for every move after qualification, men receive a percentage increase in salary, on average, 10% higher than women. The gap, once again, can not be explained by experience or an otherwise tangible technical difference in skill-set however, the most alarming fact is yet to come.

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After five years, between the average age of 29 and 38, women's salary increases reduce significantly compared to men; with an average salary increase of 11.7% before they reach this age range, women see an average increase of only 8.3% during this range. For the male counterpart the average also decelerates, receiving an average of 13.3% before and 11.8% between 29 and 38. Women's percentage change in salary goes down by 29% during these years compared with the male decrease of 13%.

An evaluative point to consider is that of years' experience. There is a correlation co-efficient of 0.9 between total years' experience and pay.

For example, if a female accountant was to go on maternity leave at 30 and take near to a full year, upon her return she would have around 15% less experience in the accounting field than a counterpart who did not take time off. Therefore, the correlation co-efficient suggests, this should be reflected by a 15% difference in salary (our data points to a difference of 16%). Of course, this only holds true when a year out of work reflects 15% of a candidate's career (up to early 30s) and there is still a margin of discrimination against those who do not take time off.

The trend also holds true when compared with other industries. Emolument, a crowd sourced data platform, found that within the banking sector there is a gender pay gap of between 10%-16% depending on level but, this gap widens to a staggering 27% when women reach the ages of 27-32.

WHY DOES THIS GAP EXIST?

In our research we came across some findings that shed light on the issue. Harvard economist and Professor Claudia Golden conducted a study into the existence of the gender pay gap and she found *bargaining and negotiation* to be the biggest contributor. We wanted to test this theory. From a smaller pool of 36 placements, we found that of women offered roles, 33% attempted (successfully and unsuccessfully) to negotiate the base salary of their offers, compared with 85% of men. This of course is not conclusive evidence however, it did give us fuel to take the study further. We found that of 60 successful salary re-negotiations (increases from initial offer to accepted offer), 70% were men and 30% were women. These statistics are in line with the findings of Professor Golden and although it does go some way in answering the why, it poses some big questions in terms of remedy. How do you take responsibility for salary negotiations in a free market?

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There continues to be an ever growing push for salaries to become more transparent with start-ups such as Slips for instance receiving a lot of press coverage. The idea here is that if you know what others earn, you yourself can either bargain for more or be satisfied with what you are paid. The issue with this however is that it assumes a perfect market – where every candidate is as productive as the other and every firm's need is the same as the other. Yes there is a greater argument for it at the newly qualified level where, as mentioned earlier, the supply in labour is homogeneous however, as skill-sets broaden it is harder to determine a candidate's value. Further to this, there is not infinite demand and supply, particularly when specialist skill-sets within the profession are required – exposure to specific tax structures, asset classes (within fund management) or financial planning experience. Sometimes there are two roles and only one candidate and the needs of one firm outweigh the needs of another, causing a greater salary to be offered; a candidate's value depends on the need of the employer. However, if regulation is not the answer, then the other alternative points to an education of how to bargain. Neither is ideal.

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Our data shows that there is a clear disparity between the salaries secured by men compared to that of women. Unfortunately data analysis is retrospective and does not provide any obvious answers. However, knowing the facts and understanding the landscape that surrounds gender economics is a step in the right direction. It is important that employers, employees and recruiters are at least aware of the problems that exist as, without a problem, it is incredibly difficult to provide a solution.

Marks Sattin has a wealth of data and is constantly seeking new ways to build on our already close relationships with clients. If you as a business are interested in finding out how our data and research can help you, then please do not hesitate to get in touch.

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