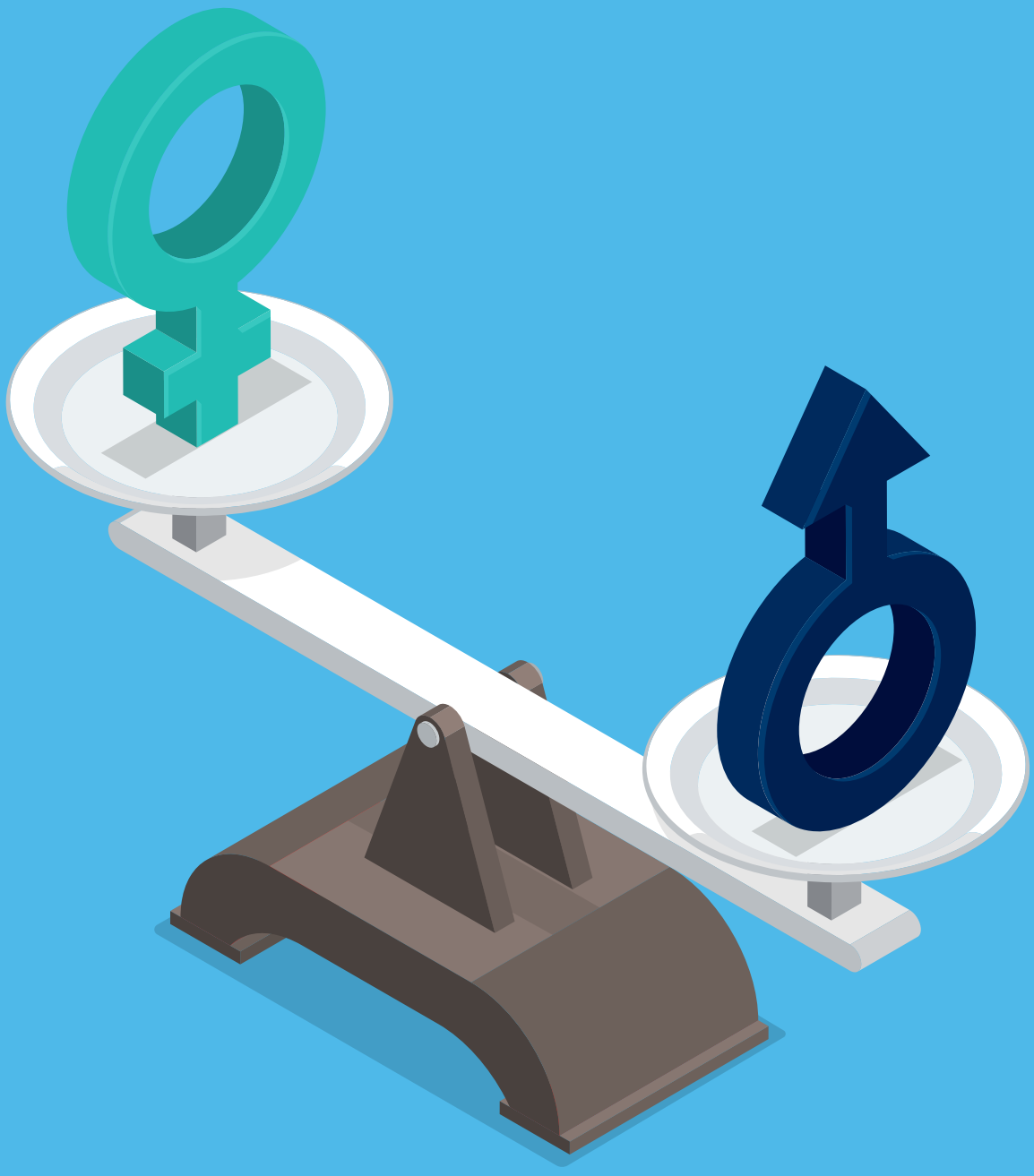
THE INVESTMENT ASSOCIATION

CLOSING THE GAP

Addressing the Gender Pay Gap

March 2019



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FOREWORD

DIVERSITY AND INCLUSION ARE IMPORTANT IN ANY BUSINESS, CREATING A HEALTHY CULTURE AND AN ENVIRONMENT WHERE STAFF CAN THRIVE. IT REDUCES THE RISK OF 'GROUP THINK', RESULTING IN BETTER DECISION MAKING. IT IS IMPORTANT TO CREATE AN ENVIRONMENT WHERE PEOPLE WANT TO WORK, WHERE THEY FEEL CHALLENGED BUT ARE ALSO ABLE TO USE THEIR TALENTS AND SO FEEL VALUED.

The Investment Association (IA) is committed to creating a diverse and inclusive UK investment industry at all levels and we see the importance of following these principles in our own organisation.

This inaugural report explores why the gender pay gap exists, and how asset managers can help to reduce it. Some of the issues are societal, including cultural and educational policies beyond the scope of any firm or sector, but our report shows how asset management firms can make an impact on diversity.

It is important to me that the IA not only takes gender diversity seriously but also promotes all types of diversity and inclusion. As a trade body and as an employer, the IA supports the need for greater diversity. The IA has been a signatory to the Women in Finance Charter, a pledge for gender balance across financial services, since February 2017. Currently, 62.5% of the IA's senior management team are women. The IA's senior executive team is held accountable for achieving more gender diverse teams by linking their remuneration to the progress they make.

In October 2018, the IA made a voluntary disclosure under Gender Pay Gap reporting, as we firmly believe that greater transparency helps drive change and increases gender diversity. We also seek to better understand the ethnicity of our employees by way of an annual Employee Diversity Survey. Recruitment is crucial for addressing gender imbalance and we aim to hire from the widest possible talent pool. Through unconscious bias training we ensure that hiring managers do not simply recruit individuals in their own image.

The IA also runs its own initiatives to support the need for greater diversity. In 2018, the IA merged with Investment20/20, the industry careers service with a specific focus on widening access to diverse talent at entry point. It provides extensive industry outreach in schools, colleges and universities, and I am pleased we have successfully recruited from this diverse talent pool.

Asset managers have a responsibility not only to promote policies which bring about a diverse and inclusive environment in their own business, but also to use their influence as investors to encourage it in those in whom they invest.

The IA's Institutional Voting Information Service (IVIS), which provides research to shareholders to aid their voting decisions, also has a significant role to play. From 2019 it has issued warnings to investors of those companies not on course to meet the targets of the Hampton-Alexander Review for 33% of the Board to be women by 2020. In 2018, we highlighted 11 FTSE 250 companies with all-male boards. Ten have since appointed at least one woman. In March 2019, the IA and the Hampton-Alexander Review, wrote to 69 FTSE 350 companies which have one or no women on their board.

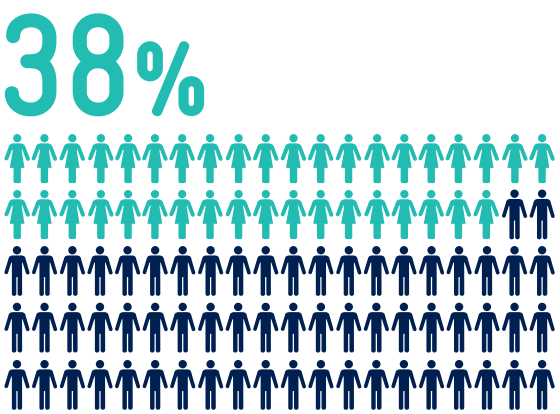
This is only the beginning of the journey. We hope you will find this report both informative and practical.

Chris Cummings
CEO, The Investment Association

EXECUTIVE SUMMARY

THIS REPORT SEEKS TO UNDERSTAND THE FACTORS THAT MAY CONTRIBUTE TO THE GENDER PAY GAP AND HOW THIS IMPACTS THE ASSET MANAGEMENT INDUSTRY. IT THEN FOCUSES ON HOW THE INDUSTRY IS ADDRESSING THE ISSUE THROUGH THE PROACTIVE ACTIONS THAT OUR MEMBER FIRMS ARE TAKING. IT IS ACKNOWLEDGED THAT THESE INITIATIVES WILL TAKE TIME TO CHANGE THE HEADLINE FIGURES, BUT OUR INDUSTRY IS COMMITTED TO CLOSING THE GAP AND TACKLING ITS ROOT CAUSES, AS PART OF A WIDER DIVERSITY AND INCLUSION STRATEGY.

ACROSS ALL RESPONDENTS, WOMEN MAKE UP 38% OF THE EMPLOYEE BASE



This report is based on the analysis of publicly available reports on gender pay gap, insights from interviews with IA members, and an online survey of IA member firms. The results reflect the state of the industry as of 5 April 2018 and are based on responses from 39 member firms with 58% of the £7.7 trillion of IA members' UK managed assets. Almost two thirds (64%) of respondents have publicly reported their gender pay gap figures, including two firms who were below the 250 employee threshold but have voluntarily published their data.

The industry's experience reflects the underlying causes of the gender pay gap that exist in financial services more generally. To the extent that the gender pay gap can be explained statistically, the key driver behind why the gender pay gap exists is the greater proportion of men than women in senior and high-earning roles, with just one in ten (11%) of survey respondents having a female CEO or Chair.

Across all respondents, women make up 38% of the employee base, meaning that even without accounting for seniority, women are generally underrepresented in the sector. A large part of the gender pay gap cannot be so straightforwardly explained, but the 'motherhood penalty' and behavioural biases are identified as being particularly influential.

The report sets out a series of initiatives that the industry is undertaking to help to address the gender pay gap and make the industry more diverse and inclusive. The industry initiatives are intended to directly target the causes of the gender pay gap at all stages of the career lifecycle, from attracting and recruitment, through to retention, and advancement. The importance of monitoring the impact of the initiatives is also well understood and will be part of a long-term focus on the issues.

MEMBER INITIATIVES

MONITORING

ATTRACTION AND RECRUITMENT

- FEMALE RECRUITMENT DAYS **53%**
- GENDER FOCUSED INSIGHT DAYS **57%**
- FURTHER EDUCATION SCHOLARSHIP **10%**
- GENDER DIVERSITY POLICY WITH RECRUITMENT SPECIALISTS **68%**
- NAME BLIND CVs **23%**
- MINIMUM NUMBER OF WOMEN ON INTERVIEW PANELS **26%**
- UNCONSCIOUS BIAS INTERVIEW TRAINING **76%**
- AVOIDING THE USE OF GENDER CODED WORDS IN ADVERTS **52%**

RETENTION

- ENHANCED PARENTAL PAY POLICIES **87%**
- EMERGENCY CHILDCARE POLICIES **47%**
- PARENTAL LEAVE COACHING FOR EXPECTANT PARENTS **37%**
- ADDITIONAL LEAVE FOR RETURNING PARENTS **33%**
- RETURNERS PROGRAMME **30%**
- FLEXIBLE WORKING **100%**

ADVANCEMENT

- WOMEN'S NETWORKS **54%**
- MENTORING PROGRAMMES **43%**
- LEADERSHIP PROGRAMMES **38%**

PART ONE: UNDERSTANDING THE GENDER PAY GAP

KEY FINDINGS

- The median gender pay gap has been falling over the last twenty years, currently standing at 18% according to Office of National Statistics (ONS) figures.
- To the extent that the gender pay gap can be explained statistically (just over a third of the gap), the most significant factor is occupation, with senior positions still disproportionately filled by men.
- A large part of the gender pay gap cannot be explained. Research has suggested two key contributing factors: a 'motherhood penalty' and behavioural biases. These biases include factors such as approaches to salary negotiation and bonus expectation.
- Significantly in financial services, sector research has also pointed to limitations in real meritocracy, working to the detriment of diversity, both at the gender level and more broadly.

Identifying the driving forces behind the gender pay gap is an essential starting point. This part of the report explores these driving forces across the UK economy, before we look more specifically at how they apply to the asset management industry. Understanding why the gap exists in the first place is key in identifying the areas to target in order to reduce the gap. Initiatives and actions that do not somehow address the underlying causes of the gap are likely to prove both costly and ineffective.

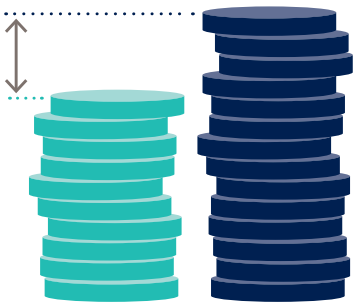
The median gender pay gap for all employees in the UK stood at 18% in 2018 and has been declining slowly but steadily over the last 20 years starting from 28% in 1997 (see Figure 1). Notably, the median gender pay gap for part-time employees is negative, indicating that part-time female workers earned 4% more than part-time male workers. As we discuss later, there are major differences across different sectors, with financial services standing out as having the most significant issue.

MEDIAN
GENDER PAY GAP

the difference between the middle ranked male and female pay

MEAN
GENDER PAY GAP

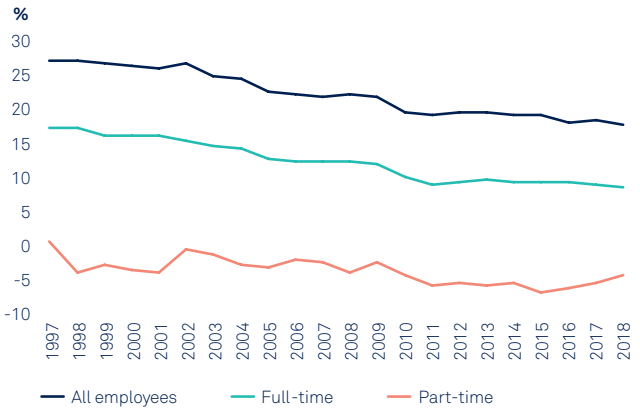
the difference between average hourly earnings of men and women



The gender pay gap is often wrongly conflated with equal pay but the two are very different. Equal pay is paying men and women the same amount for doing the same jobs or work of equal value. Unequal pay has been against the law for nearly 50 years and any employer found in breach of this legislation can be prosecuted and heavily fined.

There are two measures for reporting firms' gender pay figures – the mean and the median. Both provide a useful perspective on the data but generally the median figure is not distorted by a small number of very high salaries at either end of a distribution. The mean in smaller companies in particular is significantly affected by personnel changes in senior positions. The majority of the literature on the gender pay gap uses the median and we have focused on the median throughout this report to ensure a consistent basis for comparison.

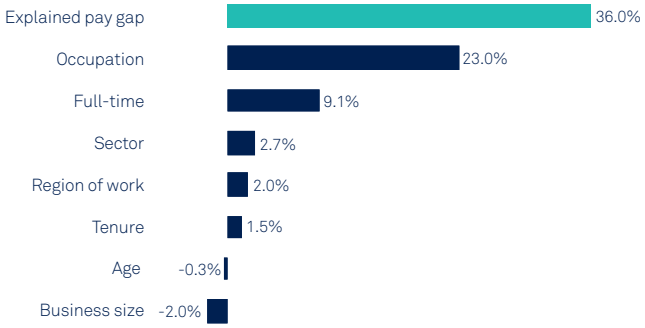
FIGURE 1: MEDIAN GENDER PAY GAP IN THE UK, 1997-2018



(Source: IA analysis of ONS data)

There are many emerging views on the causes of the gender pay gap. The ONS analyse the factors that explain wage differentials between men and women.[1] They estimate that just over a third (36.1%) of the gender pay gap figures can be explained by specific factors. The most important of these are occupation and full- or part-time employment, and to a much lesser extent the sector of employment (see Figure 2).

FIGURE 2: EXPLANATORY FACTORS OF THE DIFFERENCE IN HOURLY EARNINGS OF MEN AND WOMEN IN THE UK, 2017



(Source: Office for National Statistics, Understanding the gender pay gap in the UK, Figure 11)

[1] Understanding the gender pay gap in the UK, 2018.

We explore in turn each of the three factors with the highest explanatory power in more detail below.

OCCUPATION

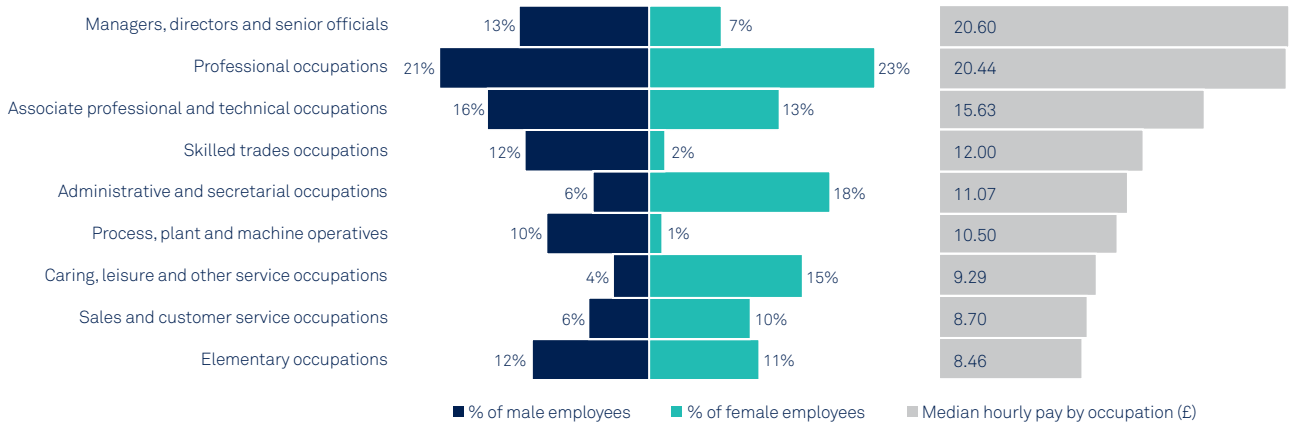
The ONS analysis suggests that the type of occupation has by far the highest explanatory power for the gender pay gap. This implies that independently of industry sector, the type of positions that women hold within firms is a key determinant.

To investigate in more detail the connection between types of occupation, gender split and level of earnings, we split the male and female workforce into occupations and calculated the medial hourly pay for each such occupation (see Figure 3).

The three lowest paid occupations within firms employ 36% of the female workforce but only 22% of the male workforce. By contrast, the three highest paid occupations (professionals, associate professionals/ technical and managers/directors/senior officials) employ 43% of the female workforce but as much as half (50%) of the male workforce.

The second thing – that will be a recurring element throughout this report and is presented as the main cause of the gender pay gap in companies' reports – is that directorial, managerial and, more generally, senior official occupations are in their majority filled by men. This is significant because these roles are remunerated (disproportionately) more highly[2] and suggests that, at least mathematically, the gap will exist as long as senior positions are male dominated.

FIGURE 3: DISTRIBUTION OF OCCUPATION OF MALE AND FEMALE WORKFORCE



(Source: IA analysis of ONS Annual Survey of Hours and Earnings data, 2018)

[2] For example, the High Pay Centre calculated that for 2019 in just three working days, the UK's CEOs make more than a typical full-time worker will earn during an entire year.

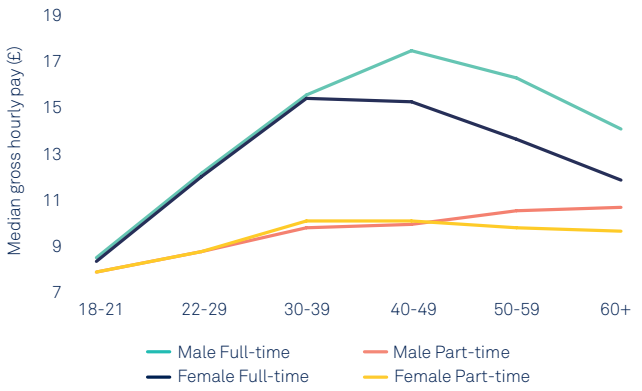
PART-TIME WORK

The second factor with significant explanatory power over the gender pay gap is whether or not an employee works full-time or part-time. Looking at the number of men and women employed in aggregate, the ratio is very close to 1:1. However, part-time employment accounts for just 15% of the total male workforce but 42% of the female workforce.

Figure 4 plots the hourly pay of men and women who work full-time and part-time and distinguishes by age groups. As such, it provides an indicative 'earnings-path' for men and women employed in full or part-time work. This allows us to observe several things at once:

- Wages are higher and progress faster in full-time than in part-time work. Considering that more women than men work part-time, the average women's pay cannot catch up with the average men's pay during the working life.
- The hourly pay gap for full-time work becomes particularly pronounced between the ages of 30-49, which is often the age when both men and women have children.
- The pay gap is more pronounced for full-time than part-time work.

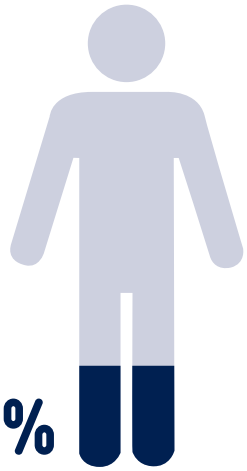
FIGURE 4: HOURLY PAY BY GENDER AND TYPE OF WORK



(Source: IA analysis of ONS Annual Survey of Hours and Earnings data, 2018)

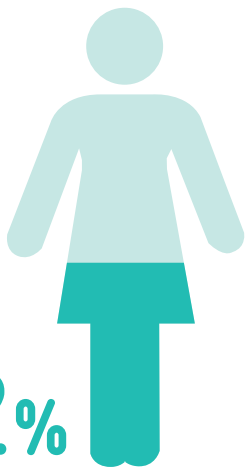
The prevalence of part-time work among female employees combined with 53% higher median hourly pay for full-time workers (£14.31/ hour) compared to the part-time pay rate (£9.36/ hour) gives an indication as to why a gender pay gap exists.

PART-TIME EMPLOYMENT ACCOUNTS FOR JUST 15% OF THE TOTAL MALE WORKFORCE ...



15%

... BUT 42% OF THE FEMALE WORKFORCE.



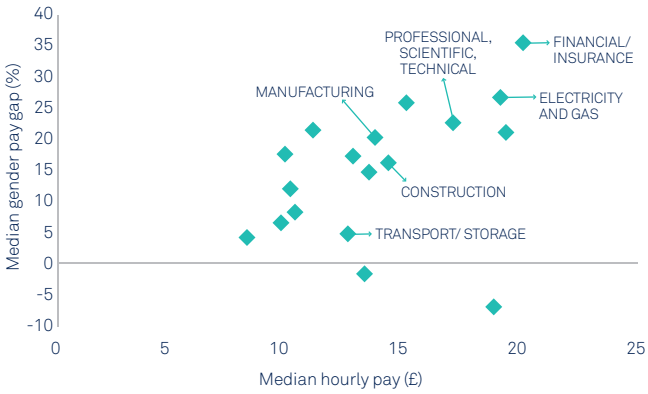
42%

SECTOR

According to the ONS analysis, sector of employment is also an explanatory factor of the gender pay gap, albeit not to a similar extent as occupation and full or part-time employment. Figure 5 shows that the gender pay gap varies greatly across industries but it also indicates that there is no clear relationship between the proportion of women employed in a particular sector and the pay gap in that sector. For example, the human health/social work and education sectors employ almost half of the total working female population and have the highest proportion of women employees at 77% and 69% yet have amongst the highest pay gaps. The financial services and insurance sector that has almost achieved parity in terms of gender representation has the highest gender pay gap figure at 36%.[3]

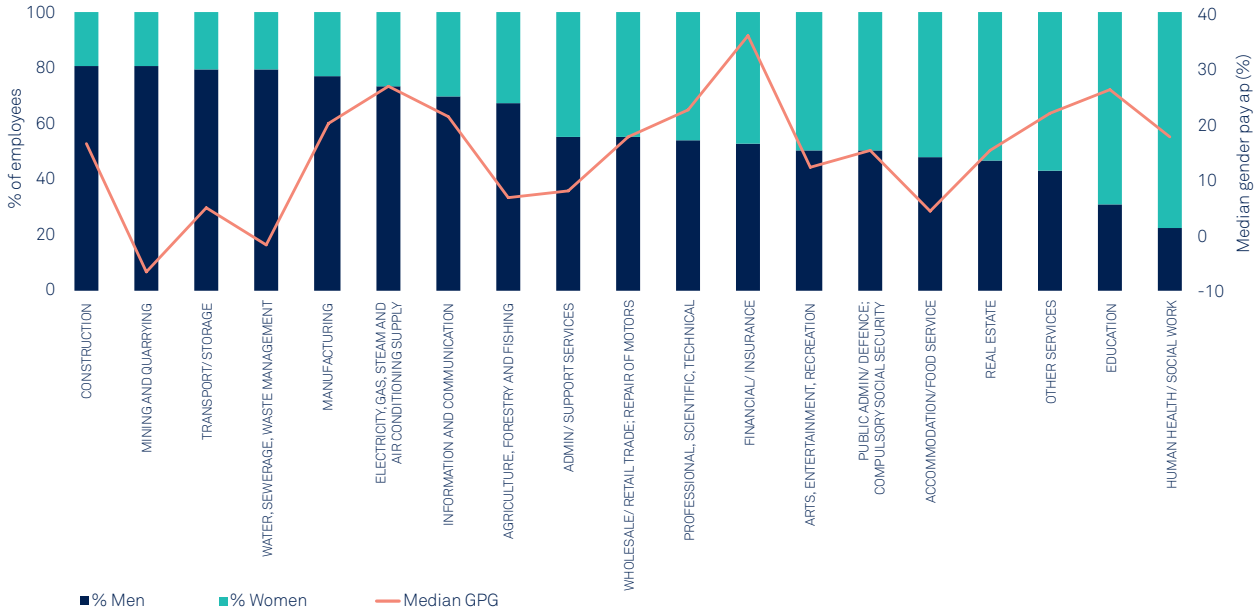
It appears that differences in gender representation across sectors is not necessarily driving the variation in the gender pay gap between sectors. Mapping the gender pay gap in each sector against the level of earnings in that sector shows a positive correlation (Figure 6). The two industries with highest pay, i.e. financial services/insurance and electricity/ gas are also the sectors with the highest pay gaps. Given that the gender pay gap is based on differences in average earnings, high paying industries have a larger scope for disparity.

FIGURE 6: CORRELATION BETWEEN GENDER PAY GAP AND HOURLY PAY BY SECTOR



(Source: IA analysis of ONS Annual Survey of Hours and Earnings data, 2018)

FIGURE 5: GENDER REPRESENTATION AND THE GENDER PAY GAP ACROSS SECTORS



(Source: IA analysis of ONS Annual Survey of Hours and Earnings data, 2018)

[3] The ONS findings differ from the data emerging from the first set of gender pay gap reports, presented in Part Two. Further work is needed to understand these differences. There may be a number of explanations, including different sample bases.

UNDERLYING CAUSES OF THE GENDER PAY GAP

Even when accounting for several factors including tenure, age, business size etc., around 64% of the wage differential in the ONS data is unexplained. This does not necessarily mean that there is an equal pay element hidden in this but it certainly indicates that there are other issues at play that are not immediately obvious. There is empirical evidence to support the existence of underlying factors driving the gender pay gap. Research so far has indicated two key issues: the 'motherhood penalty' and what can broadly be described as 'behavioural biases'.

Motherhood penalty

A term commonly referred to in this area is the 'motherhood penalty'.[4] This is rather an umbrella term, covering a number of issues women are faced with in their professional lives when having children compared to non-mothers[5]:

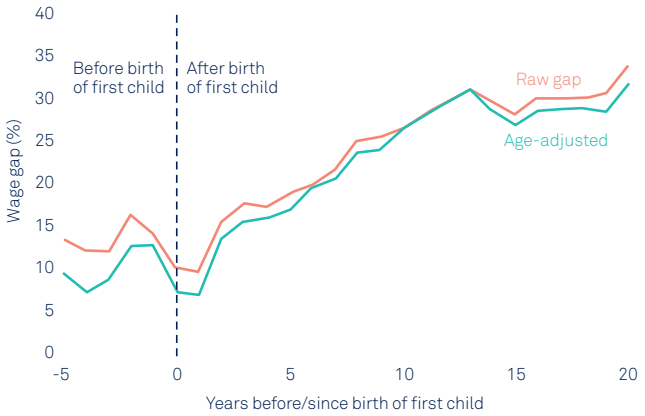
- There is a lower perceived competence and commitment
- Lower likelihood of hiring and promotion
- Lower recommended starting salary
- Higher punctuality standards
- Significantly higher likelihood of working part-time

All these factors translate to two things: a real salary penalty and a much lower likelihood that women who have children reach senior positions. In contrast, there seems to be a 'fatherhood bonus', with men being perceived as more committed but also earning more than non-fathers.[6]

Analysis by the Institute of Fiscal Studies (IFS)[7] finds that although a gender pay gap exists in the years before the birth of the first child, this increases significantly in the years after the birth of the child (see Figure 7). This reflects the cumulative effect of women falling out of the workforce for a while and subsequent changes in their working hours.

The same IFS research suggests that by the time their first child is 20, women have accumulated 10 years less full-time work than men and 7 years more part-time work. This gap in full-time work has significant impact on perceived value of human capital as those who work full-time are considered to have accumulated skills and experience that is compensated with higher wages.

FIGURE 7: IFS EVIDENCE ON GENDER PAY GAP IN RELATION TO BIRTH OF FIRST CHILD

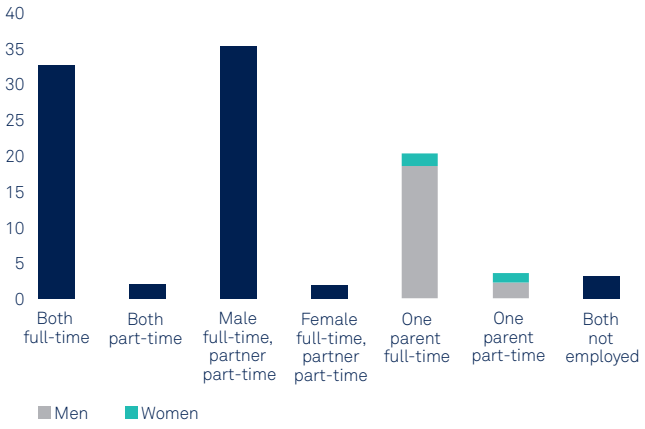


(Source: IFS, Wage progression and the gender pay gap: the causal impact of hours of work, 2018, Figure 4)

[4] See for example, BEIS, Gender pay gap reporting, Thirteenth Report of Session 2017-19, HC 928; TUC, The motherhood pay penalty, March 2016
[5] See Correll S., S. Benard, I. Paik, Getting a job: is there a motherhood penalty, American Journal of Sociology, Volume 112, Issue 5, 2007; ABI, Tackling the gender seniority gap, September 2018
[6] ABI, Tackling the gender seniority gap, September 2018
[7] Institute of Fiscal Studies, Wage progression and the gender pay gap: the causal impact of hours of work, 2018

This is further corroborated by evidence that the increase in the gender pay gap and proportion of part-time workers coincides with the ages at which women typically have children. Figure 8 shows that one third of couple families with dependent children have two full-time working parents and over half have a full-time working male with either a non-working or part-time working partner, this is just 4% in the reverse (i.e. full-time working female with a part-time or non-working partner).

FIGURE 8: WORKING PATTERNS OF PARENTS IN FAMILIES WITH DEPENDENT CHILDREN



(Source: IA analysis of ONS Labour Force Survey & Annual Population Survey data)

The imbalance in parental leave policy between men and women plays a role in this. The UK offers mothers 39 weeks of paid maternity leave with an average rate of 31% of gross pay across the period. This is significantly lower than most other European countries who offer both longer maternity leave and higher average pay rates[8]. Similarly, paternity leave is much lower in the UK at two weeks (compared to a Eurozone average of 7.2 weeks) and pays an average rate of 20%, considerably lower than other European countries.

Directly connected to the issue of parental leave, is the cost of childcare. After accounting for tax and other childcare benefits, the net cost of childcare for families in the UK is by far the highest of any European country at 55% of gross average earnings almost four times higher than the Eurozone average of 14%[9]. The lower cost of childcare across Europe means that early childcare responsibilities are shifting into the formal economy. In the UK only 5% of children under three years of age are in full-time childcare a week[10] with a further 28% in childcare on a part-time basis. By comparison the average across Europe is 22% in full-time care and 18% in part-time care.[11] Research by McKinsey[12] has found that 29% of women cite financial viability as a barrier to returning to work after having children. In two thirds of households women earn less than their partners, combining this with the cost of childcare can explain some of the variation in working patterns we see in Figure 8.

Perception and behavioural biases

There are certain perceptions that are not based on any empirical evidence but reflect a bias, conscious or unconscious. Importantly, these biases have real consequences in terms of wage and professional progression. Many examples of such biases and specific behavioural traits are coming to light and relate to both how employers recruit and promote and how existing and prospective employees think and react.

[8] OECD Family Database, 2016, 'PF2.1 Key characteristics of parental leave systems'
[9] OECD Family Database, 2016, 'PF3.4 Childcare support'
[10] Eurostat, European Union Statistics on Income and Living Conditions- Full-time care is over 30 hours/week while part-time is classified as less than 30 hours/week
[11] In Scandinavia, full-time childcare for children under 3 years ranges from 37 to 66%
[12] Mckinsey, The power of parity: Advancing women's equality in the United Kingdom

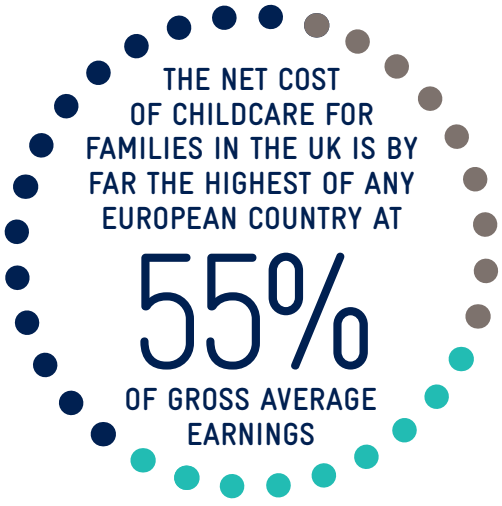
Research mainly in the psychology field has indicated that men are more likely to hire men.[13] Furthermore, there is research showing that sometimes the gender-specific bias relates to the role itself, i.e. hiring men for a 'male-typed' task, and that preconceived ideas about average ability differences among men and women in certain areas can drive hiring decisions.[14] This perpetuates the problem in that the more men occupy positions such as CEO, the more likely society is to view company leadership as a male-typed task, making it biased towards hiring men for future CEO positions. Research by New Financial[15] finds that as a result of pay and promotion decisions being made by a single line manager, biases are more of an issue in asset management than any other sector.

Such biases exacerbate the issue further when combined with known differences in behavioural traits between men and women as employees. Academic research shows that one of the causes of the pay gap is the salary or bonus negotiation process.[16] Women are often more mindful of affecting relationships in negotiation and achieving a 'fair' result. In the negotiation process men tend to overestimate their abilities more than women while women tend to avoid self-promotion. A survey by PwC[17] found that 39% of women would put themselves forward for a promotion only if they met all the job criteria. Moreover, 44% state they expect employers to recognise their hard work as a symbol of promotional aspirations and expect employers to approach them. In contrast, a survey of HR decision-makers[18] found that male employees are much more likely to ask for a pay rise and a promotion than women.

Specifically in financial services, a report by the Treasury Committee[19] noted that company culture can be a significant barrier to attracting people from diverse backgrounds to financial services. In asset management the New Financial[15] research finds that the 'meritocracy myth' was the most highly ranked barrier to progression. They challenged the perception that promotion is exclusively performance based with a higher bar set for women and other minority groups.

> "I THINK THERE IS A PERCEPTION ISSUE IN TERMS OF OUR INDUSTRY. WE RAN AN ADVERT FOR A WORK EXPERIENCE PLACEMENT FOR A COUPLE OF WEEKS IN OUR INVESTMENT TEAM. WE HAD 200 APPLICATIONS, NO FEMALES AT ALL."

The big question is how to address such biases and account for known behavioural traits to ensure that women's wages, and the likelihood that they hold a senior position, is not affected by their gender.



[13] See for example Koch A. J., S. D. D'Mello, P.R. Sackett, A meta-analysis of gender stereotypes and bias in experimental simulations of employment decision making, Journal of Applied Psychology, Vol. 100, No. 1, 2015
[14] See Coffman, K. B., C. L. Exley, and M. Niederle, When Gender Discrimination Is Not About Gender, Harvard Business School Working Paper, No. 18-054, December 2017. (Revised January 2018.)
[15] New Financial, Diversity in portfolio management, 2018
[16] See for example J. Johnson, Gender differences in negotiation: Implications for salary negotiations, UCLA Women's Law Journal, Vol. 23, Issue 2, 2016
[17] Time to talk: What has to change for women at work
[18] Young Women's Trust, Working for women? Young women's trust HR decision-makers survey 2017: summary of findings.
[19] Women in Finance, Fifteenth Report of Session 2017–19

PART TWO:
UK ASSET MANAGEMENT IN CONTEXT

KEY FINDINGS

- Based on available data from gender pay gap reports (firms above 250 employees) and survey data, the median pay gap among IA member firms is 31%. External analysis shows that this is slightly higher than the pay gap for financial services more generally (28%), but the mean gap is similar (30%).
- IA survey data suggests that a low proportion of female employees in senior roles is a key driver of the pay gap, in line with broader drivers outlined in Part One.
- The signs of the occupational segregation seen in the wider population are also present in the asset management sector. There is a clear overrepresentation of women in HR, administration and corporate finance roles whilst there is an underrepresentation within IT and investment management.
- There are comparatively low levels of part-time work in asset management, which suggests that this does not significantly contribute to the gender pay gap issue. It may, however, indicate other barriers for women in the workforce.

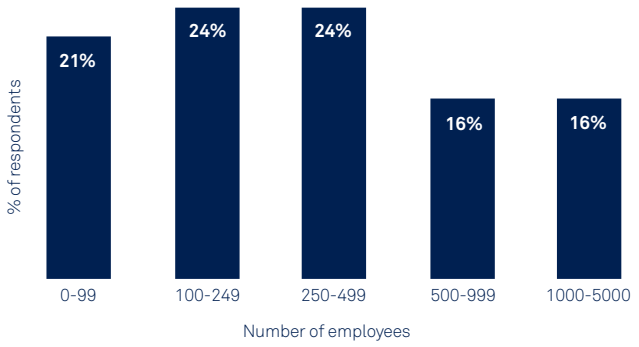
IA analysis on published gender pay gap reports allow us to break out the gender pay gap in the asset management sector, based on IA members. The result is a median gender pay gap of 31%. Sectoral analysis by PwC finds that the median pay gap observed for wider financial services is 28%, for the banking sector this is 34%, and for insurance the median pay gap is 25%. Although the median pay gap is slightly higher in asset management compared to financial services, the mean pay gap for both is 30%.[20]

In order to understand better the gender pay gap figures in the asset management industry, the IA also carried out a survey across its membership. This aimed at not only analysing the differences in earnings between men and women but also at providing the broader context in terms of female representation across the different organisational levels as well as turnover.

IA GENDER PAY GAP SURVEY RESULTS

The results presented in this section reflect the state of the industry as of 5 April 2018 and are based on responses from 39 member firms with 58% of the £7.7 trillion of IA members' UK managed assets. Almost two thirds (64%) of respondents have publically reported their gender pay gap figures, including two firms who were below the 250 employee threshold but have voluntarily published their data. Figure 9 shows that the survey captures firms of varying sizes, business models and employee headcount.

FIGURE 9: DISTRIBUTION OF IA SURVEY RESPONDENTS BY NUMBER OF EMPLOYEES



[20] As noted in Part One, the calculation for the financial services pay gap gives different results when based on gender pay gap reports, compared to ONS data. More work is needed on this, but a key reason could be the different sample bases. For consistency, we compare IA analysis based on gender pay gap reports with other gender pay gap report analysis, rather than ONS sector data.

Figure 10 provides an overview of the respondents' aggregated gender pay gap data. IA members have a median pay gap of 31%, in line with our wider analysis of the gender pay gap reports from the sector. The median bonus gap sits much higher at 56% even though the proportions of men and women receiving a bonus are very similar – just two percentage points apart. The proportion of employees receiving a bonus in asset management is higher than that of other industries.

The ratio of men to women by pay quartile shows that, on average, women make up just under 20% of the highest paid quartile. This suggests that female representation in senior positions is a key driver of the gender pay gap.

The aggregation of data in Figure 10 masks significant variation amongst asset managers. Figure 11 shows the distribution of the median pay gap and the proportion of women in the upper quartile of earnings. Although the data has been anonymised, each figure has been colour-coded to indicate whether the asset manager has less or more than 250 employees.

Two things become clear. First, smaller firms seem to be more likely to have higher gender pay gap figures. Namely, of the 12 respondents with less than 250 employees, eight are above the 30% and six of the eight are above the 40% mark. Furthermore, the proportion of women in the upper earnings quartile appears to be much more evenly distributed across different firm sizes.

FIGURE 10: IA MEMBERS' GENDER PAY GAP DATA

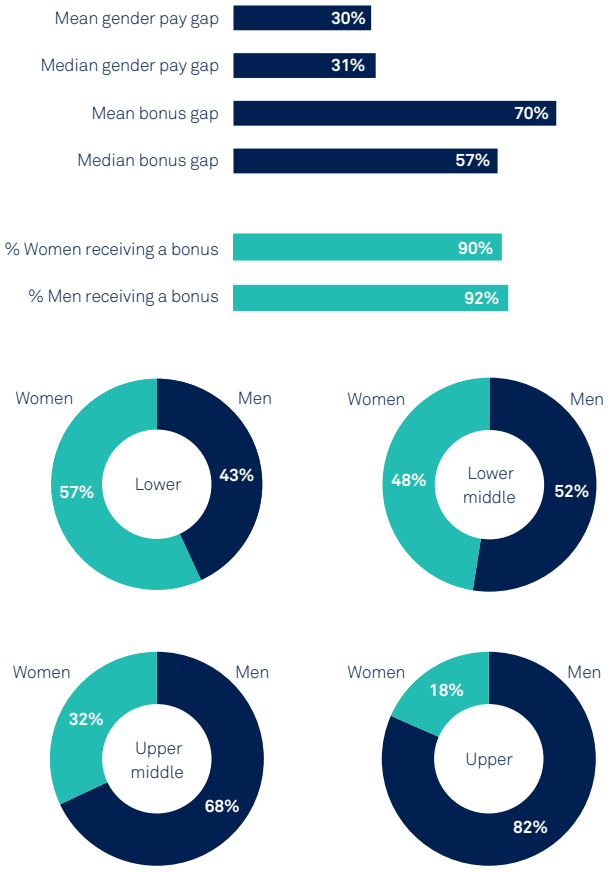
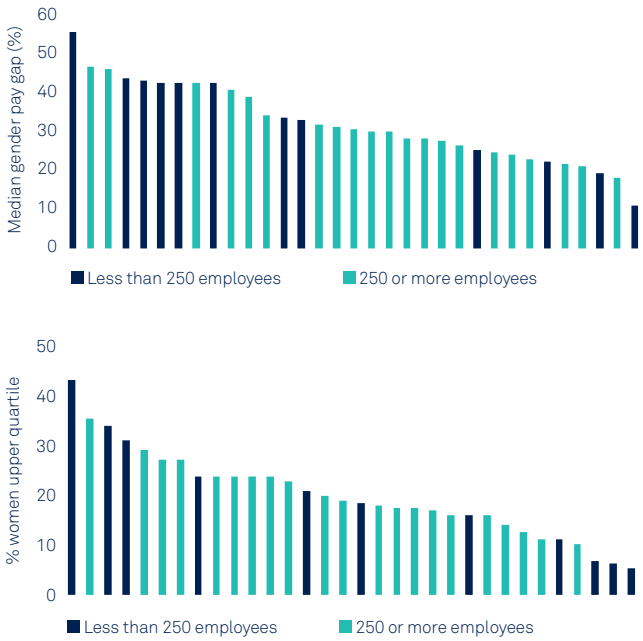


FIGURE 11: DISTRIBUTION OF GENDER PAY GAP PROPORTION OF WOMEN IN UPPER EARNINGS QUARTILE[21]

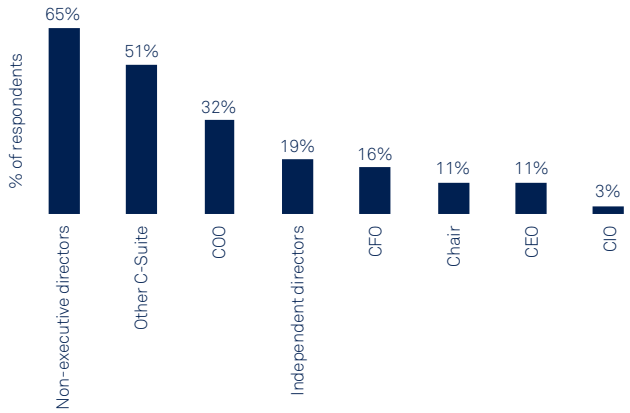


[21] 33 out of the 39 respondents were able to provide a response to both of these data points.

POSITIONS HELD BY WOMEN

The absence of women from senior positions is corroborated by our survey results (see Figure 12). Only 11% are run by a female CEO and only 11% have a female Chair. It is even more extreme for Chief Investment Officers (CIOs) with women having this role only for 3% of asset managers. The highest female representation occurs, perhaps unsurprisingly, across non-executive directors' roles with almost two thirds of respondents having at least one female non-executive director.

FIGURE 12: SENIOR POSITIONS HELD BY WOMEN



This is a feature of the financial services industry more generally. Oliver Wyman[23] analysed the reports of 381 companies in the financial sector across 32 countries and found that, although female representation at leadership positions has increased by over 50% in the last 10 years, it still remains low with 20% of board and 16% of executive director positions filled by women. Nevertheless, both figures are higher than the 11% representation we see for CEO positions in our respondent sample.

To put this in more context, the size of the total female workforce among respondents sits at 38%. This is lower than the 47% in financial services as a whole (see Figure 5). This indicates that achieving gender parity will not only involve ensuring women develop and work their way into senior positions within firms but that they join and are retained within the industry in the first place.

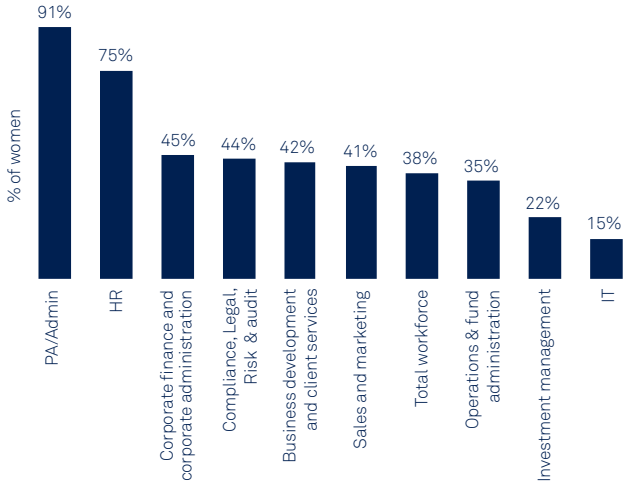
The signs of the occupational segregation referenced in the ONS data and explored in Part One are reaffirmed for the asset management sector. Figure 13 shows that there is a clear overrepresentation of women in HR, administration and corporate finance roles whilst there is an underrepresentation within IT and investment management.

The latter is not surprising as there is evidence pointing to the underrepresentation of women in the investment profession more generally. A CFA survey[24] reported that across the world, a small proportion of women are Chartered Financial Analyst (CFA) holders relative to the size of the total female workforce. Seven out of the top eight countries with the highest proportion of female CFA members (over 30% of the female workforce) were in the Asia Pacific region. The UK stood at only 20%. The same survey also showed that women are underrepresented in all of the most common CFA member occupations such as CEO, CIO, Chief Finance Officer (CFO), sales agents etc.

[23] Oliver Wyman, Women in financial services, 2016
[24] CFA Institute Research Foundation, Gender diversity in investment management, 2016

What is less clear, however, is whether the gender pay gap arises because women are overrepresented in functions with lower earnings (as also shown in Figure 3) or whether the functions that pay lower salaries do so because they have historically had overrepresentation by women. This is an area where further research could shed some light.

FIGURE 13: AVERAGE FEMALE REPRESENTATION BY BUSINESS FUNCTION



"WE LOOKED AT THE AREAS THAT ARE DOMINATED BY FEMALES, SUCH AS HR, COMPLIANCE, AND MARKETING. WE BENCHMARK OURSELVES AGAINST COMPENSATION BENCHMARKS AND WE SAY WE PAY THE MARKET RATE. BUT MY QUESTION IS, FUNDAMENTALLY IS THE MARKET RATE SKEWED BY THE FACT THAT THERE ARE MORE WOMEN WORKING IN THESE FUNCTIONS."

STAFF TURNOVER LEVELS

A commonly cited barrier to making significant progress in closing the gender pay gap is low staff turnover rates[25]. This effectively means that given the low turnover rates, it is unlikely that the high-earning senior positions within firms are vacated often so that more women get these roles – assuming of course that there are appropriate female candidates for these roles in the first place. It also means that the low-paying positions that are overrepresented by women (as shown in the lower panel of Figure 10) are unlikely to be filled by male employees at a fast rate.

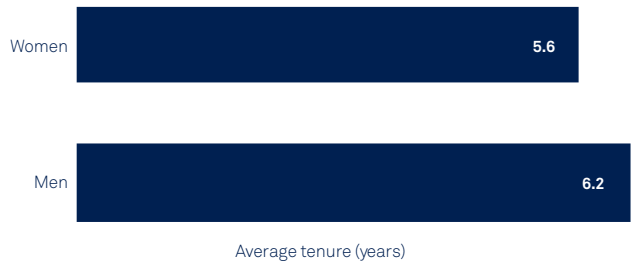
This is reflected in the results of this survey. The average length of tenure for both female and male employees is over five years. However, the average tenure for men is slightly longer at 6.2 years compared to 5.6 for women (Figure 14). This implies that turnover rates for men are lower than those for women, which is corroborated by the survey. Although the average turnover rate for male employees was just a little over that of female employees in 2017 and practically the same in 2014, it was significantly lower in 2015 and 2016 (Figure 15).

Length of tenure is valuable and carries weight in the asset management industry, particularly when it comes to the high-earning portfolio management positions. This results in low employee turnover rates so changing the composition of any team, and thus increasing the chances of achieving higher gender diversity, will take time.

"IT IS ONLY WHEN THAT REPRESENTATION GAP IS CLOSED THAT YOU'RE REALLY GOING TO CLOSE THE PAY GAP. THAT IS GOING TO TAKE A WHILE. THAT REPRESENTATION GAP IS SOMETHING THAT ISN'T GOING TO BE FIXED SHORT TERM."

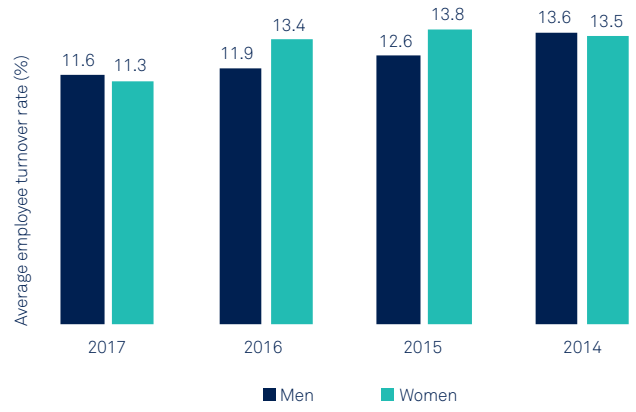
[25] New Financial, Diversity in portfolio management, 2018

FIGURE 14: AVERAGE TENURE OF MALE AND FEMALE EMPLOYEES



"TURNOVER WITHIN ANY INVESTMENT TEAM IS INCREDIBLY LOW IN REALITY. FIRMS ARE DESIGNED TO CONSIDER IF IT IS THE RIGHT OUTCOME FOR CLIENTS. STABILITY IN YOUR PORTFOLIO MANAGER POPULATION IS CRITICAL BECAUSE YOUR CLIENTS WANT TO HAVE THAT TENURE, THAT LENGTH OF SERVICE, THAT TRACK RECORD OF GOOD ALPHA DELIVERY. YOU TEND TO ONLY GET TURNOVER WHERE THERE IS PERFORMANCE CONCERN OVER THE LONGER TERM."

FIGURE 15: AVERAGE EMPLOYEE TURNOVER RATE[26]



In Part Three, we will see that whilst part-time work is available at all firms, the proportion of part-time workers is relatively low with an average of 7%. This is only a quarter of the level of part-time work in the UK as a whole which is at 28%. Part-time work is therefore less likely to be as significant in explaining the gender pay gap within asset management compared to other sectors. The low proportion of part-time work may be due to presenteeism[27] which is considered one of the more significant barriers within asset management. While flexible working opportunities and part-time work are available, there is a perception that the value of work may not be recognised if these are utilised and as such may act as a deterrent to candidates seeking these types of arrangements.

[26] This Figure presents the turnover rates for the 17 respondents that provided data for all four years.
[27] New Financial, Diversity in portfolio management, 2018

PART THREE: INDUSTRY INITIATIVES FOR CHANGE

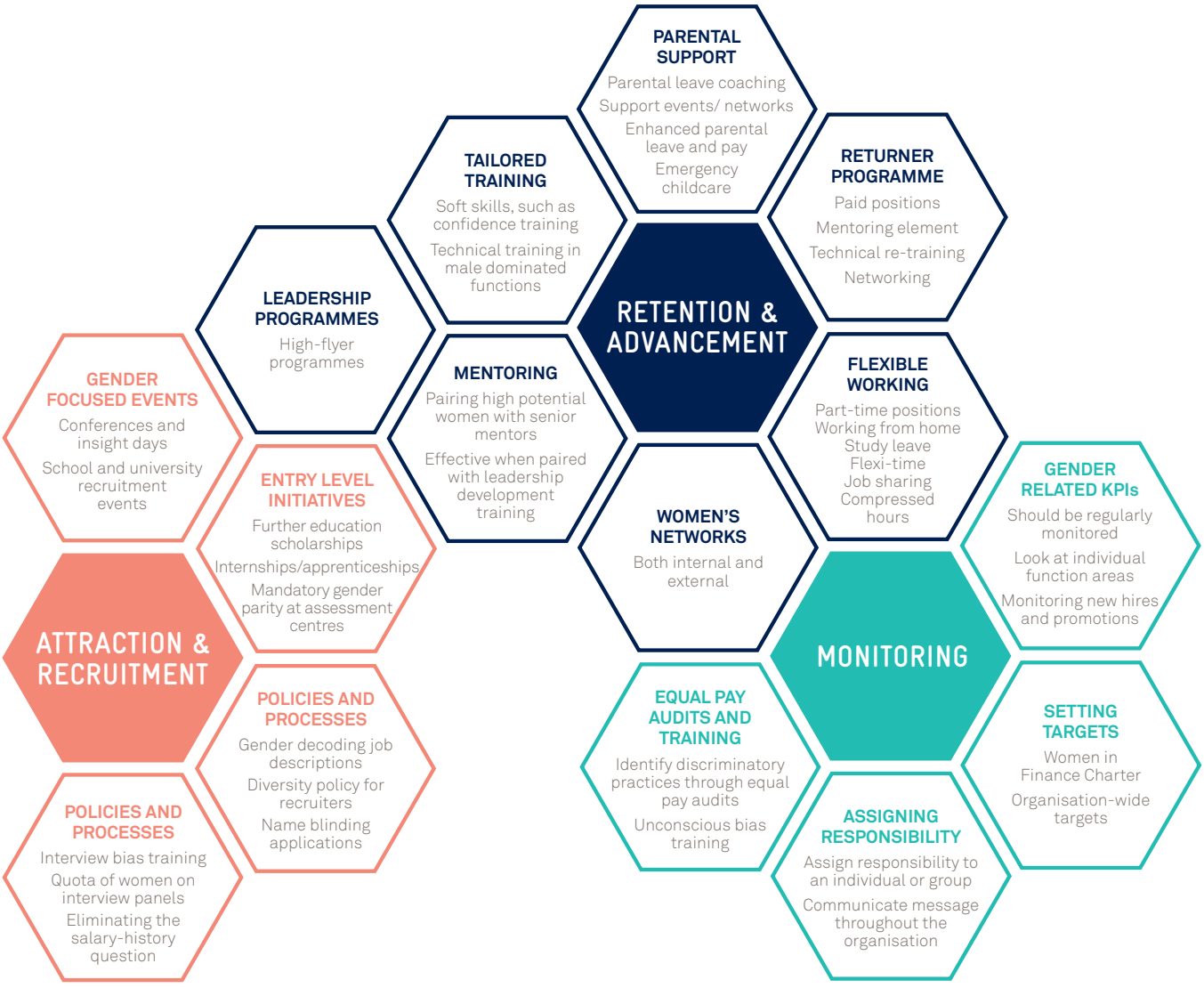
KEY FINDINGS

- The asset management industry is already responding to the emerging gender pay gap figures, and starting to tackle some of the core issues directly.
- Internal initiatives reflect changes that IA members have introduced in the way they manage their employees. These focus on attraction and recruitment, retention, and advancement. Overlaying processes for monitoring and targets also helps delivery of results.
- There are also an increasing variety of external initiatives organised and run by third parties to which IA members have signed up in order to increase gender (and sometimes broader) diversity and support women in the workplace.

This section of the Report outlines internal initiatives reflecting changes that IA members have introduced in the way they manage their human resources, providing suggestions of potential ways in which firms can draw on existing practice and a number of practical examples. We summarise these initiatives in the diagram over the page. Alongside, we document external initiatives organised and run by third parties to which IA members have signed up in order to increase gender (and sometimes broader) diversity and support women in the workplace.

"THE GENDER PAY GAP REPORTING WASN'T THE THING THAT MADE US FOCUS ON DIVERSITY. BUT IT HAS BROUGHT IT MORE TO PEOPLES MIND BECAUSE IF YOU ARE VERY PUBLICLY SHARING YOUR PAY GAP THEN PEOPLE ARE GOING TO WANT TO KNOW WHAT YOU ARE DOING ABOUT IT."

MEMBER INITIATIVES



INTERNAL INITIATIVES

The internal initiatives are intended to directly target the causes of the gender pay gap discussed previously in the report. Some focus more on ensuring women are not put off from applying, some on a fair recruitment process and others on allowing for a work-life balance for existing employees and particularly those with caring responsibilities.

All the different approaches that IA members are using to change how they manage the people working for them can be broadly summarised into three main categories: attraction and recruitment, retention, and advancement. Monitoring the impact of these initiatives will be a key driver of progress.

ATTRACTION AND RECRUITMENT

On average across all respondents, women make up 38% of the employee base. This means that even without accounting for seniority, women are generally underrepresented in the sector. The report has shown that this may be due to perceptions around culture or biases that put women off applying for certain positions. As such, a key focal area for IA members is how to encourage women to apply to enter the industry in the first place and to ensure that no biases stand in the way of them being recruited. IA members have a number of approaches to encourage women to apply for a job in the asset management industry, sometimes used in combination.

"WE HAVE VERY GOOD RETURNER RATES, GOOD FLEXIBLE WORKING, THE HOURS ARE REASONABLY FAMILY FRIENDLY, PARTICULARLY IN INVESTMENT, BUT WE HAVE TO GET WOMEN THROUGH THE DOOR INTO THOSE INVESTMENT ROLES."

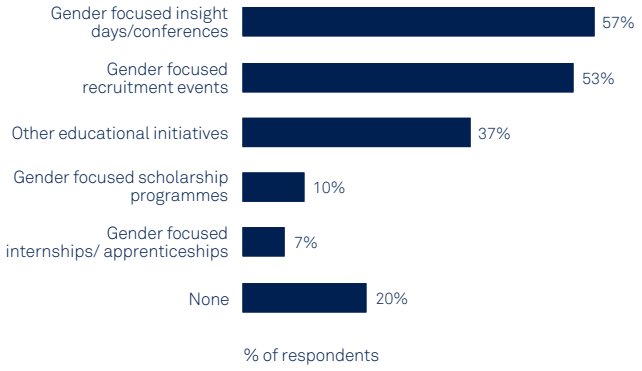
Gender focused events to promote the industry

There is a consensus that efforts need to be focused on promoting the reputation and purpose of the industry amongst the general public. In doing so firms can attract more diverse candidates, such as women, into the sector. The majority (57%) of respondents use gender focused events such as conferences and insight days as a means of introducing young women to the industry (Figure 16). Over half of respondents (53%) also run recruitment events aimed at encouraging female school leavers and graduates to enter the industry.

INSIGHT DAYS

T. Rowe Price *partnered with Bright Network to host an insight day for 36 female students in their second year at university. The aim was to encourage more women into entry level positions in their investment teams through de-mystifying the investment management industry and creating awareness of the opportunities there.*

FIGURE 16: INITIATIVES AIMED AT ENCOURAGING YOUNG WOMEN AT SCHOOL/UNIVERSITY LEVEL TO ENTER THE INDUSTRY



Entry level initiatives

Firms are implementing a number of entry level initiatives to develop a more accessible pipeline to bring women into the industry (Figure 16). Three firms (10%) operate further education scholarship programmes aimed at women, and other minorities within the industry, and two respondents have established gender or diversity focused internship and apprenticeship programmes. One respondent also engages with an all-girls school to offer work experience opportunities.

Some firms are ensuring that they are building relationships with future talent through mentoring programmes for school leavers. Other educational initiatives included female fast-track events, aiming to increase female representation at assessment centres, as well as some mandating gender parity at this stage. There are also a few examples of sponsorship of external initiatives such as IntoUniversity, a charity that aims to provide academic support, mentoring and aspiration in certain areas to young people from disadvantaged backgrounds, simultaneously tackling issues around social mobility in the industry too.

EARLY CAREER SUPPORT

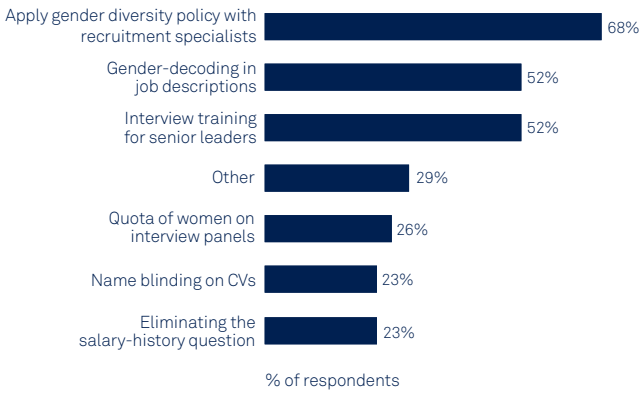
Jupiter *have increased their female representation on their Fund Management Internship programme over the last year. Facilitating the recruitment process in-house has allowed them to have complete control over how and who they attract to these programmes. As part of this process, they have formed a network of all-girls schools across the country and neighbouring schools. They have also hosted an Insight Week, designed for those with little to no industry knowledge.*

Gender diversity policies for recruiters and recruitment processes

Survey respondents are applying a number of methods to improve diversity in recruitment processes (Figure 17). Some firms have identified that the use of particular language in job adverts could act as a deterrent to prospective female candidates. Over half of respondents (52%) have applied gender decoding, which filters out gender-coded language, in all or the majority of job descriptions in an attempt to minimise obstacles to women applying.

> "THERE ARE LOTS OF TERMS THAT FIRMS USE TO DESCRIBE A ROLE, SUCH AS 'AMBITIOUS', THAT ARE MORE LIKELY TO APPEAL TO A MAN THAN TO A WOMAN. THERE ARE WAYS AND SOFTWARE THAT IDENTIFIES THESE TERMS AND SUGGESTS ALTERNATIVE WORDS TO DESCRIBE THEM."

FIGURE 17: RECRUITMENT APPROACHES TO INCREASE GENDER DIVERSITY



For those jobs that are advertised through recruitment specialists, a majority of respondents (68%) now apply their gender diversity policy in their selection of recruiters and require a diverse candidate pool in both the long-listing and short-listing stage.

GENDER DIVERSITY POLICIES FOR RECRUITERS

Schroders *mandates that all executive search firms that they use must have signed up to the Voluntary Code of Conduct on gender diversity. This code seeks to address gender diversity on corporate boards and best practice for the related search firms through steps such as ensuring at least 30% of the candidates on long lists are women.*

To ensure that unconscious biases do not feed into the filtering process, 23% of survey respondents have applied name blinding to applications and almost half have provided additional interview training for senior leaders to ensure interviewers' approach and line of questioning is not to the benefit of one particular group. A quarter of respondents (26%) have a policy in place requiring a minimum number of women to be included on interview panels.

Binding prospective employees to their previous salaries, particularly in cases where they were previously underpaid could compound gender pay disparities. Almost one quarter of respondents have eliminated the salary history question in the belief that having a more consistent value based approach to salaries will help reduce the gender pay gap.

GENDER POLICIES FOR RECRUITMENT PROCESSES

First State *requests gender balanced shortlists for all recruitment. All interview panels require at least one female employee to be part of the panel. New starters and hiring managers joining First State are made aware of their Diversity and Inclusion commitment through the recruitment and on-boarding process to ensure that they understand the culture and are able to effectively contribute to it.*

RETENTION

Retention tools are focused on existing employees and the intention is to provide a working environment and employment conditions that allow for a work-life balance, promote gender diversity, and do not disadvantage those with caring responsibilities.

Parental support

Statutory maternity pay entitles new mothers to six weeks at 90% of weekly pay and 33 weeks at a maximum of £145.18/week. We saw in Part One that the cost of childcare combined with the imbalance in parental leave between men and women often means the burden of childcare lies with women. Firms are stepping in to support new parents more generally (Figure 18). A significant number of respondents (87%) offer new parents enhanced parental leave pay packages that range from 13 to 26 weeks of full pay. Three respondents offer parents shared parental pay (SPL) at the same enhanced rates as their maternity pay packages[28] while three others highlighted their extended period paternity leave. Two firms have extended paternity leave to four weeks while one has introduced equal maternity and paternity leave entitlements with 12 months of leave entitlement including 26 weeks of full basic pay with no requirement to share the leave as is the case with SPL.

SHARED PARENTAL LEAVE

Columbia Threadneedle *have actively promoted shared parental leave within their organisation to encourage male employees to also take advantage of the opportunity. As part of this approach, a video in which employees who are partaking in shared parental leave discuss their positive experiences of doing so.*

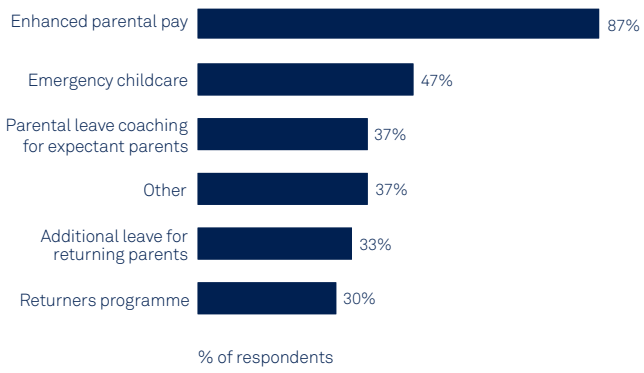
[28] Share parental leave entitles parents to the lower of £145.98 per week or 90% of weekly earnings for 37 weeks- this means that new mothers must sacrifice their 6 weeks at 90% of pay entitlements.

Almost half of respondents have policies for emergency childcare, which is usually a fixed number of days of care offered at a subsidised rate or helplines to assist with finding care, and additional leave for new parents returning from a period of extended leave, including up to four weeks of phased returns.

Moreover, there are a number of firms (37%) who offer parental leave coaching that aims to guide expectant and new parents through pre- and post-leave periods, providing support during their leave and helping them prepare for their return. One respondent has established a formal family programme which pairs first time parents with colleagues who have already had children while working at the firm and who will provide support before leave and until three to four months after returning back to work.

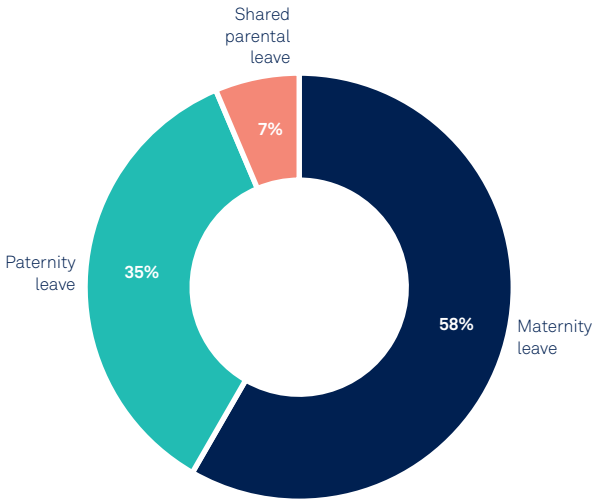
There are a very wide range of other approaches that include hosting parenting related awareness and support events, establishing parental networks within firms, covering the cost of antenatal/adoption appointments, setting up 'Mothers' Rooms' with hospital grade breast pumps and adopting a breast milk shipping policy for returning mothers needing to travel for work.

FIGURE 18: SUPPORT OFFERED TO NEW PARENTS



In terms of how employees use their parental leave, there is a clear imbalance between men and women. In the year to 5 April 2018, across the 39 respondents there were 659 women on maternity leave for an average period of 48 weeks, 399 men on paternity leave for an average of just three weeks and 72 new parents on shared parental leave for an average period of 15 weeks (Figure 19).

FIGURE 19: EMPLOYEE TAKE UP OF PARENTAL LEAVE (% OF EMPLOYEES)



Returner programmes

There are an increasing number of returner programmes targeting individuals, predominantly women, with existing work experience who have taken an extended career break of 2 years or more, for caring or other reasons. Almost a third (30%) of survey respondents have a returners programme in place. Over two thirds of these are in partnership with either The Return Hub or Women Returners.

There are different types of returner programme but they are usually a means of returning to work through the opportunity of a paid position. Programmes typically include:

- Three to six months paid positions, either full or part-time. In some cases permanent positions are offered at the end
- Have a mentoring element and coaching
- Technical re-training
- Networking
- Support and training for the line-manager
- Senior management champion

They provide employers with access to an experienced skilled pool of talent and candidates for mid to senior managerial level roles which can help to address the need for diversity in terms of gender, age and styles of thinking. This can be a way for a firm to gain a real competitive advantage and be a key element in creating a diverse and inclusive culture.

RETURNERS

Aviva Investors *Return to Work Programme provides finance professionals looking to return to work after an extended career break of two years or more with a six month, paid returnship. As part of this programme, the cohort will have access to flexible working arrangements, peer to peer support, transition coaching and technical skills training. There is also the potential of a more permanent role, where possible, once the six month programme has been completed.*

RETURNERS

In January 2018, a number of financial services firms in Scotland who offer returner programmes came together with Women Returners to launch a cross-industry returner scheme. It seeks to help to refresh the skills of these women and equip them to return back to employment through a paid three month placement which includes internal mentoring and coaching.

87%

OF FIRMS OFFER ENHANCED PARENTAL LEAVE POLICIES AND MANY ACTIVELY PROMOTE SHARED PARENTAL LEAVE POLICIES

Flexible working arrangements

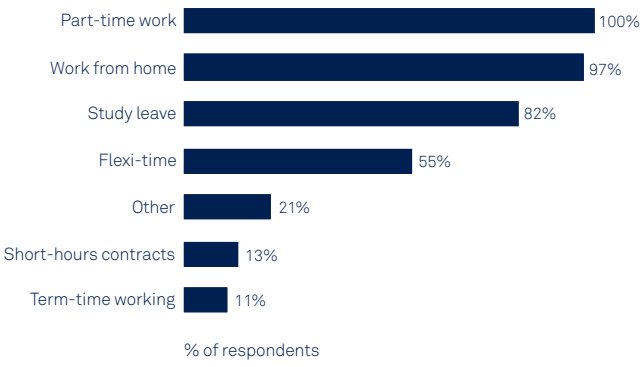
Going beyond measures that are targeted at those with children, IA members have a wide range of approaches to flexible working that benefit all employees (Figure 20). Without exception, all respondents offer part-time positions. Working from home and study leave arrangements are also widely available. A number of firms highlighted that although over 1000 formal applications for flexible working had been granted, this figure largely understates current practice as many of these arrangements are informal and agreed on personal terms with line managers.

"WE CHANGED OUR FLEXIBLE WORKING POLICY TO MAKE IT EVEN MORE SUPPORTIVE THAN IT WAS AND WE'VE HAD AS MUCH INTEREST FROM MEN AS WE'VE HAD FROM WOMEN. THOSE POLICY CHANGES ARE LESS ABOUT GENDER BUT ACTUALLY SOMETHING THAT EMPLOYEES WANT REGARDLESS OF GENDER, REGARDLESS OF AGE. THIS ISN'T JUST SOMETHING THAT MILLENNIALS WANT, THIS IS SOMETHING WE SEE ACROSS ALL LENSES OF OUR POPULATION WITH BOTH MEN AND WOMEN WANTING THAT FLEXIBILITY."

Whilst part-time work is available at all firms, the proportion of part-time workers is relatively low with an average of 6.8% of the workforce amongst respondents working part-time. As expected, 87% of these are women employees.

'Other' arrangements included job-sharing and unpaid lifestyle or career breaks. One respondent has enabled employees to work from different office locations and two respondents have also highlighted that they have implemented compressed hours working patterns. As we saw in Part One increasing the number of female part-time workers will increase the pay gap, particularly given that 82% of firms pro-rata their bonuses. Research shows strong appetite for flexible work[29] and firms that have a culture of flexible working practices will have a competitive advantage when it comes to both attraction and retention.

FIGURE 20: FLEXIBLE WORKING ARRANGEMENTS OFFERED TO EMPLOYEES



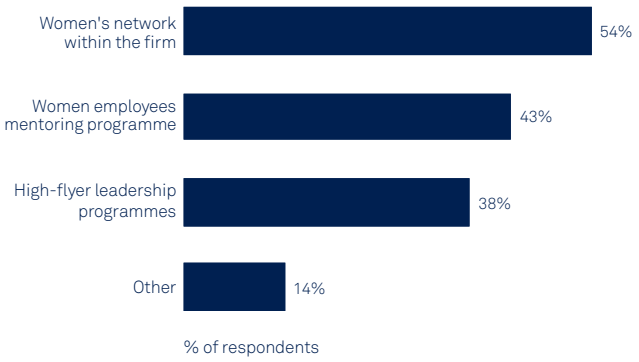
"IF YOU WANT TO BE THE BEST EMPLOYER YOU HAVE TO THINK OF YOUR VALUE PROPOSITION FOR PEOPLE IN TERMS OF FLEXIBLE WORKING AND THE WHOLE CONTRACT THAT YOU HAVE WITH THEM AS AN INDIVIDUAL. SOME OF THOSE POLICIES WILL HELP MORE DIVERSE GROUPS AND PARTICULARLY WOMEN WHERE CURRENTLY I THINK SOCIETY DOES MEAN THAT THE CARING RESPONSIBILITIES TEND TO FALL MORE ON WOMEN."

[29] Timewise, Flexible working: A talent imperative find that 84% of male and 91% of female full-time workers either currently work flexibly, or want to.

ADVANCEMENT

As evidenced in Part One, the low representation of women in senior and high-earning positions plays a significant role in the existence of the gender pay gap. It is not enough to simply attract and recruit women into the industry, we must also be investing in the development of these women in order to equip them for senior positions.

FIGURE 21: **INITIATIVES FOR ADVANCEMENT OF WOMEN WITHIN THE FIRM**



Women's networks

Over half of the respondents (54%) have established a women's network within their organisations which can provide a forum for discussion and development as well as an opportunity to meet other employees, build their profile and give them access to a wider support network.

These can be both internal and external and can help to increase diversity within the industry.

OVER HALF

OF FIRMS OFFER EARLY CAREER SUPPORT INITIATIVES DESIGNED TO GET YOUNG WOMEN INTERESTED IN ASSET MANAGEMENT EARLIER IN THEIR CAREERS

Networking is more generally seen as being important for business success for the individual concerned. A women's network should:

- expand an individual's perspective and knowledge
- create a safe space in which to learn, allowing individuals to share frustrations and solutions
- support women through their career, helping to increase their confidence and tackle imposter syndrome
- celebrate women's talents

It is important to remember that male colleagues should be part of the conversation and be included as part of the solution.

WOMEN'S NETWORK

Invesco *Women's Network has established a programme of development opportunities and networking events for all employees. This has included the delivery of mentoring, career development programmes, and regional networking opportunities. Efforts have also been focused on local schools outreach, promoting careers in asset management amongst the next generation.*

WOMEN'S NETWORKS

Balance, ***Standard Life Aberdeen's*** *gender diversity network, exists to improve gender balance throughout the organisation. The focus of the network was adapted in response to employees' feedback post-merger when the network was re-launched at the start of 2018. Balance has now expanded to have a global reach, but has also placed a specific focus on supporting local initiatives too.*

Mentoring

43% of respondents offer mentoring programmes to high potential women within the organisation, that pair women with both male and female senior mentors who meet with them on a regular basis and offer guidance on how to progress through the business and into senior positions. There has also been research on mentoring that has shown it to be most effective when paired with leadership development training[30].

ACCELERATION INITIATIVE

In 2018, ***Man Group*** *launched Paving the Way, a campaign to drive pipeline diversity and pave the way for under-represented groups across the firm and the investment industry more broadly. The aim is to enhance diversity across the firm, especially in senior and front office roles, through a number of initiatives including a female mentoring programme. This programme identifies high-potential women within the firm, pairing them with mentors from Man Group's Executive Committee to support their professional development, share expertise and act as a senior sounding–board. Tailored mentoring is also provided for women returners.*

[30] Bohnet, Iris, What Works, 2016.

Tailored training

Additional training aimed specifically at women is offered. For some, this has been through the facilitation of soft skills training on areas such as confidence, to tackle issues such as those previously touched upon under 'perception and behavioural biases' in Part One. For others, this is technical training in areas where women are significantly underrepresented, in the attempt to balance gender representation. This is particularly important for areas that have higher-earning averages. There has also been a recognition that there are a number of significant skills gaps that our industry could fill with female talent.

"WE HAVE HELD AN IN-HOUSE COURSE FOR WOMEN CALLED ACHIEVE YOUR POTENTIAL, AIMED AT INCREASING CONFIDENCE AND BREAKING DOWN SOME OF THE BARRIERS FOR WOMEN IN THE WORKPLACE, DELIVERED BY AN EXTERNAL TRAINER. IT WAS CARRIED OUT OVER 6 MONTHS FOR WOMEN IN MANAGEMENT OR IDENTIFIED AS POTENTIAL FUTURE MANAGERS."

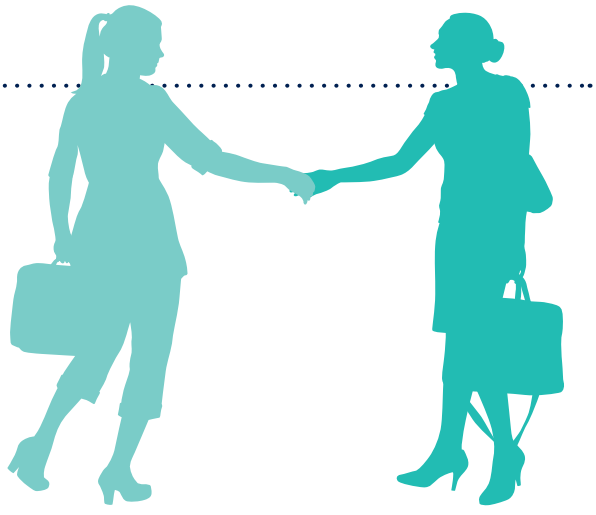
Leadership programmes

Several IA members run high-flyer leadership programmes. 38% of respondents have indicated that they do so with varying levels of female representation. For example, two respondents have a leadership programme fully dedicated to women, while the remaining firms have between 23% and 50% female representation on these programmes.

"WE RUN A SPECIFIC DEVELOPMENT PROGRAMME (THREE DAYS) FOR AROUND 60 MIDDLE-SENIOR WOMEN ALONG WITH INCLUSIVE LEADERSHIP PROGRAMME (1.5 DAYS) FOR AROUND 60 DIRECTORS AND INCLUSION AWARENESS WORKSHOP FOR AROUND 500 EMPLOYEES."

43%

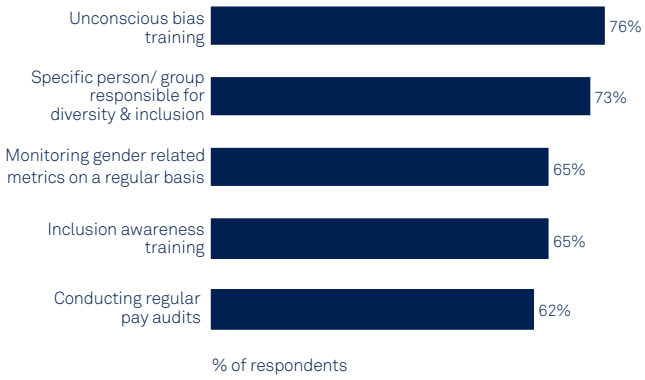
OF RESPONDENTS OFFER MENTORING PROGRAMMES TO HIGH POTENTIAL WOMEN WITHIN THE ORGANISATION



MONITORING

Many of the initiatives we have discussed so far are in their infancy and it will take time to see their effect on the gender balance within firms. Keeping a continuous record of progress allows firms to have a clear overview of where these have been successful. Research on the gender seniority gap highlights that consistency and quality of data tracking is an essential component of any effort to improve gender diversity.

FIGURE 22: **APPROACHES TO MONITOR THE GENDER PAY GAP**



Developing gender related key performance indicators

A crucial factor in monitoring the gender pay gap is developing the appropriate key performance indicators to be able to measure progress. Although two thirds (65%) of respondents monitor gender related metrics on a regular basis, firms are in different places when it comes to the level of granularity in their performance indicators. Firms should consider going beyond the high level figures of the proportion of women by function if they want to effectively monitor progress.

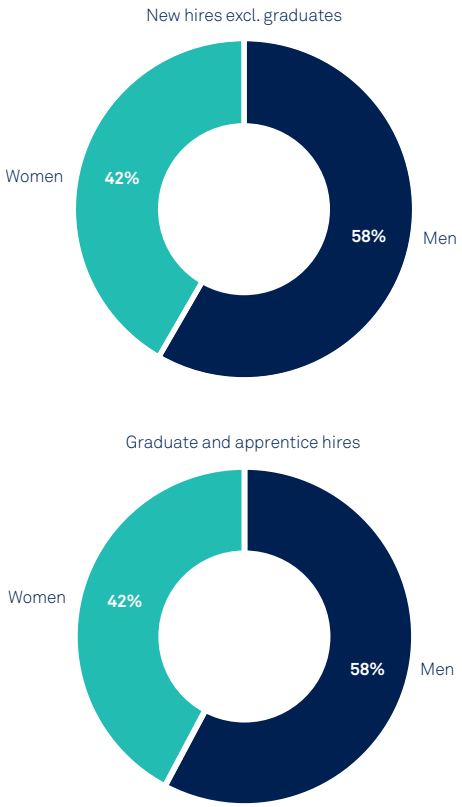
MONITORING

*Recruiting, retention and promotions are all regularly measured and monitored by gender and level across **BlackRock**. Each business is accountable for their own progress, which is shared and discussed as part of their quarterly business reviews. Development in this area is a driver of compensation for their management teams, and progress is reported to the Board of Directors, who specifically review diversity across the firm.*

"THERE ARE INTERESTING STATISTICS THAT WE ARE NOW LOOKING AT. WE ARE NOW STARTING TO TRACK WHETHER THERE IS SOME UNCONSCIOUS BIAS WITH THINGS LIKE PERFORMANCE RATINGS OR WITH DECISIONS AROUND PROMOTIONS. FOR EXAMPLE, WE LOOK AT THE BROAD SET OF PROMOTIONS THAT WERE PUT FORWARD, WHICH ONES WERE TURNED DOWN VERSUS THE ONES THAT WENT THROUGH, AND WE ARE TRACKING THE NUMBER OF FEMALE PROMOTION NOMINATIONS THAT WERE TURNED DOWN VERSUS MALE NOMINEES. IT IS THAT LEVEL OF DETAIL THAT WE WEREN'T EXPLICITLY MEASURING BEFORE."

Data availability has presented a barrier for the analysis in this report. One example of this is measuring the success of different approaches in terms of gender diversity in new hires. Figure 23 presents the gender representation for new hires excluding graduates and then the new hires at a graduate level. 67% of respondents were able to provide information on the former but only 46% on the latter, raising questions on the representativeness of the result that roughly there are only two women for every three men hired. By comparison, only 23% of respondents were able to provide data on the total number of new applications received by gender.

FIGURE 23: **GENDER REPRESENTATION IN NEW HIRES**



Setting targets

A consequence of taking a data driven approach to monitoring is the ability to set appropriate targets. Some have quoted the Women in Finance Charter requirement of setting a target and the Gender Pay Gap reporting regulation as drivers of better gender diversity tracking. The Charter requires firms to hold senior managers accountable for meeting these targets. At the same time, some have expressed concerns that setting targets or imposing quotas may drive the wrong behaviours, such as positive discrimination where gender takes priority over expertise and qualifications.

"EACH BUSINESS HAD TO SET THEIR OWN ASPIRATIONAL TARGETS AND OURS WERE ALL GENDER RELATED OVER A SPECIFIC TIME PERIOD. THE CONCERN WAS NOT TO DRIVE THE WRONG BEHAVIOURS … [SUCH AS] PEOPLE HIRING WOMEN JUST TO MAKE SURE THEY HIT THEIR TARGETS."

ORGANISATION-WIDE TARGETS

*To achieve a truly inclusive culture, **LGIM** set a target in 2017 of achieving gender parity in their leadership population by 2020. In the effort of achieving this, they have focused on building an inclusive and collaborative culture that facilitates open debate and discussions, reducing bias through the recruitment process, and offering development opportunities through sponsorship and mentoring. As a result, female NEDs have been appointed as board committee heads, two of their six MDs who run the business are now women, and there has been an increase in the number of visible female role models across the business.*

Assigning responsibility

What may seem like a proliferation of initiatives actually reflects the fact that firms have diverse approaches to tackling the gender pay gap but limited resources to do so. This does not relate to budgetary constraints but rather time constraints in terms of how many initiatives firms can develop, sign up and meaningfully contribute to. For this reason, some HR teams have been reaching out to the wider workforce within their firms to identify 'diversity champions'. For some, there will be specific individuals that own this responsibility in their department. For others, employee networks, such as women's networks, will act as the diversity champions. A few firms have created specific roles in their firm that exist solely to promote, develop and monitor diversity, such as a Diversity Manager. Almost three-quarters (73%) of respondents have assigned Diversity & Inclusion responsibility to a specific person or group within the firm.

DIVERSITY CHAMPION

Since their first disclosure last year, ***Hermes*** *have appointed a full-time Inclusion Partner. It is this individual's responsibility to provide support and guidance on the relevant areas to ensure that the firm is focusing efforts into diversifying their workforce and forming an inclusive culture amongst it.*

"WE CAN'T HAVE MEMBERS FROM THE HR TEAM ATTACHED TO EVERY WORKSTREAM SO WE'VE ASKED EVERYBODY IN THE BUSINESS. BECAUSE THERE IS A LOT OF ENERGY AND APPETITE, WE'VE GOT ABOUT 40 VOLUNTEERS ACROSS ALL THE DIFFERENT WORKSTREAMS. … I THINK THERE IS A REALISATION THAT WE NEED TO ENGAGE THE BROADER WORKFORCE IN THIS."

Communication with peers is an important part for sharing experiences and, ultimately best practice, but it also helps aggregate resources.

Equal pay audits and training

Monitoring the gender performance indicators is important in driving change. Equally as important is identifying if discriminatory practices are driving the gender pay gap. Almost two thirds (62%) of firms stated that they regularly conduct equal pay audits to ensure that this is not a contributory factor.

IA members have also taken measures to address gender diversity more directly. For example, recognising the harmful effects of bias, 76% of respondents have introduced training for employees and senior managers to increase awareness of potential unconscious biases in recruitment and promotion processes. Almost two thirds (65%) of respondents run inclusion awareness training to address some of the issues around the exclusionary impact of corporate culture we discussed in Part One.

"RUNNING INITIATIVES AND UNCONSCIOUS BIAS TRAINING IS GREAT BUT YOU'RE NOT REALLY GOING TO MOVE THE DIAL. YOU NEED TO CHANGE THE PROCESSES OF A FIRM TO DELIVER THE OUTCOMES. YOU NEED TO SET TARGETS. THIS IS ONE OF THE REASONS WHY WE SET TARGETS FOR ENTRY LEVEL PROGRAMMES."

LINKS TO BROADER DIVERSITY

Establishing performance indicators and measuring progress is not only going to be significant for resolving the gender pay gap but it will also prove to be essential for measuring success in achieving broader diversity. IA members that we interviewed stressed that diversity, be it on gender, ethnicity, age, or other, is a priority.

Women make up half the population and as such gender diversity has attracted the most attention. Public policy has played a role in driving the issue further up the agenda but from a more practical perspective, gender data is more readily available within firms relative to other diversity metrics. However, it was felt that any approaches targeting biases would address these at all levels and not just gender. Furthermore, it is worth noting that several of the external initiatives, such as Investment20/20, the Social Mobility Foundation, and CityParents, are not gender specific.

"GENDER WAS OUR MAIN FOCUS INITIALLY MAINLY BECAUSE THAT IS THE ONLY DATA THAT WE ACTUALLY CAPTURE AROUND DIVERSITY. WE DON'T CAPTURE BROADER DIVERSITY DATA AND THAT IS SOMETHING WE'VE GOT ON OUR LIST TO EXPLORE IF WE CAN DO THAT. IN FINANCIAL SERVICES IF YOU DON'T MEASURE IT, IT DOESN'T COUNT. … ALL THE ACTIVITIES WE HAVE BEEN DOING LIKE WHERE WE RECRUIT FROM, THE UNCONSCIOUS BIAS TRAINING, THEY STILL HELP ALL PARTS OF DIVERSITY NOT JUST GENDER."

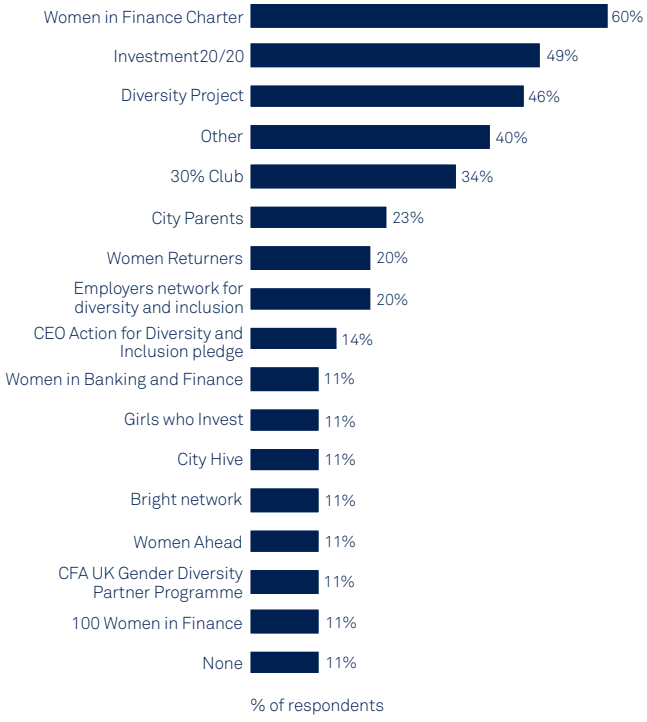
"ALL MATTERS OF DIVERSITY ARE IMPORTANT AND IN DIFFERENT PARTS OF THE WORLD THERE'S DIFFERENT EMPHASIS. THE GENDER DIVERSITY IS THE BIGGEST ONE IN MOST JURISDICTIONS THAT WE'RE IN AT THE MOMENT. THE FOCUS AND ATTENTION IN THE UK IS BECAUSE OF THE LEGISLATION BUT OTHER FORMS OF DIVERSITY ARE GOING TO GET THE ATTENTION IN THE YEARS COMING DOWN THE LINE."

EXTERNAL INITIATIVES

Independently of how firms are choosing to tackle their gender pay gap internally, there is an increasing number of third party initiatives that asset managers can sign up to that aim to address diversity both in our industry and more widely. The most commonly quoted initiatives are the Women in Finance Charter, Investment20/20, and the Diversity Project (Figure 24). These are followed by a long list of other schemes that are less mainstream in the asset management industry and are supported by some members.

The Women in Finance Charter is by some distance the most widespread initiative in the industry. Among others, it requires that signatories set numerical targets in terms of women representation across senior management and the year by which this is to be achieved. The Charter also requires that this target is made public but recognises firms will be starting from different positions regarding gender diversity and thus allows them the flexibility to set their own targets.

FIGURE 24: EXTERNAL INITIATIVES AND SCHEMES SUPPORTED BY IA MEMBERS



"YOU HAVE TO WEIGH UP THE PROS AND CONS OF EACH INITIATIVE AND THE RESOURCE NEEDED, NOT JUST IN TERMS OF FINANCIAL RESOURCE BUT ALSO TIME COMMITMENT AND REALLY TO THINK HOW MUCH DOES EACH INITIATIVE ALIGN WITH WHAT WE'RE ACTUALLY TRYING TO DO IN TERMS OF DIVERSITY AND INCLUSION."

"AS AN INDUSTRY WE CAN ABSOLUTELY DO MORE BY POOLING OUR RESOURCES TO ATTRACT MORE DIVERSE TALENT POOLS TO THE INDUSTRY. OUR ABILITY TO MOVE THE DIAL IS MUCH STRONGER AS AN INDUSTRY THAN IT IS AS AN INDIVIDUAL FIRM."

ANNEX 1:
SURVEY PARTICIPANTS

Ardevora Asset Management LLP	M&G Investments Ltd
Artemis Investment Management LLP	Man Group
Ashmore Group plc	Marlborough Fund Managers Ltd
Aviva Investors	Miton Group Service Company Limited
Baillie Gifford & Co	Old Mutual Global Investors
BlackRock Investment Management (UK) Ltd	Pictet Asset Management Ltd
BlueBay Asset Management	PIMCO Europe Ltd
Brewin Dolphin Ltd	Polar Capital
Brooks Macdonald Group Plc	Premier Asset Management
Carmignac Gestion Luxembourg SA	Record Currency Management
Castlefield Investment Partners	Royal London Asset Management
Columbia Threadneedle	Schroder & Co Limited
First State Investments	Schroder Investment Management Limited
Hermes Investment Management	St. James's Place
Invesco Ltd	Standard Life Aberdeen
Janus Henderson Investors	T. Rowe Price
Jupiter Asset Management	Tesco Pension Investment
Legal & General Investment Management (LGIM)	Thesis Asset Management Limited
Legg Mason Investments (Europe) Limited	Vanguard Asset Management Ltd
Liontrust Fund Partners	Wellington Management International

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