

RESEARCH

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Financial sector management practices are hindering drive for equality

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The financial sector will not achieve gender or racial equity while managers continue to favour those who look like them, a practice that has particularly held back black women in the sector. **Grace Lordan** highlights the importance of diversity, and sets out a framework that, if followed, should benefit all with talent.

Recently I met 79 women who work in financial services in the City of London as part of a qualitative study I conducted on behalf of Women in Banking and Finance (WIBF).

I actively listened to the headwinds and tailwinds they had experienced over their career – the forces that either helped or hindered them. I heard reports of being managed by mediocre managers, of being “mommy tracked” after maternity leave, of being denied opportunities and of being excluded from the decision-making processes.

One theme shone through strongly – that gender parity will only be achieved when hiring practices change. The success of the final gender convergence relies on the sector having managers that create environments that include diverse voices. It relies on the sector weeding out the managers who continue to hire in their own likeness (and those who enable that behaviour), and in tackling the cronyism that enables managers to hire people like themselves.



Black women were far more likely to be excluded because of managers favouring people ‘like me’. ”

Embrace difference and talent, not mini-mes and mediocrity

Based on the positive and negative experiences of the women that I met, I created **The Good Finance Framework**. This framework outlines a clear set of actions that an organisation can take to create a more inclusive culture. If adopted, all talent stands to benefit. Actually, there is one exception – the people who favour people “like themselves”.

Notably the research also shone a light on the group of women who are doing the worst in the sector – black professional women. For the black professional women I met the problem was worse. In general, they described having more intense headwinds and less frequent tailwinds than the other women interviewed. They said they were held up to higher levels of scrutiny and needed to work harder to receive the same recognition as men and white women. Black women were far more likely to be excluded because of managers favouring people “like me”.



UK-born black women are the most under-represented in the top percentile of incomes. ”

I was motivated to learn more about the headwinds and tailwinds that black women faced.

Collaborating with colleagues Teresa Almeida and Erika Brodnock, **we quantified the extent of the pay gaps black women face**, compared to other women and men. We took to data one underlying question: How likely is it that black women end up working in jobs that allow them to be among the top 1 per cent, 10 per cent, 20 per cent, and top third of earners, and how does that compare to other groups?

Drawing on the Quarterly Labour Force Survey (QLFS), we found that black women – whether they are from the UK or elsewhere – have the lowest probabilities of being top earners in financial and professional services. And UK-born black women are the most under-represented in the top percentile of incomes, compared to all other women and men.

Why are black women the least likely to earn the most?

I have been an economist long enough to predict the pushback estimates like ours might get. The questions would include:

Perhaps black women have lower labour market attachment as compared to others.

Perhaps black women work in occupations that lack progression opportunities.

Perhaps black women have more childcare responsibilities than other women.

Perhaps black women work less hours or have lower levels of education compared to other groups.

We probed the data and eliminated all of these explanations. Yes, some of them do reduce the pay gaps found, but negative and significant differences always remain for black women born in the UK.

Find out more about The Inclusion Initiative, which brings behavioural science insights to advance our understanding of the factors that enhance inclusion at work, in a ***short film***. Hear Grace Lordan explore gender equity on the LSE IQ podcast episode ***Is gender equality possible?***.

The Good Finance Framework

by Dr Grace Lordan was published in June 2021.

Transparent by Erika Brodnock and

Dr Grace Lordan was published in October 2021.

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This should not surprise us. There is ample evidence that black women face very real discrimination in the labour market.

We also examined how black women compared to white women at different stages of their careers. At early career stages, black and white women are paid differently but the pay gaps are modest. Ten to 15 years later, in mid-career stages, gaps in earnings widen significantly, and the likelihood of a black woman being a top earner is far lower than a white woman regardless of how we define "top earners".

For example, black women are 6.1 percentage points less likely than white women to be in the top 10 per cent of income. It would seem that income penalties increase at the ages where income is increasing fastest, similar to patterns found for the overall gender wage gap. However, while the prevailing explanation for the gender wage gap is career interruptions because of children, because we are comparing within groups of women, this explanation does not carry much weight.

So what next? Over the last few months Erika Brodnock and myself have continued this work. In October 2021 we published a qualitative piece of research based on interviewing almost 40 black women in financial, professional services and Big Technology. This piece of research aimed not only to document the triumphs and struggles of black professional women, but also to provide recommendations to firms who wish to nurture the talented black women in the organisation and ensure that their outcomes are no longer held back by managers hiring in their own likeness.

In this work we introduced the Transparent framework to guide firms in this regard. Notably, like the Good Finance framework, the Transparent framework calls for real culture change, where inclusive leaders feature prominently in enabling black women in their careers in blue chip firms. In contrast, managers that hire, promote and give pay rises to those in their inner circle are weeded out.

What is different is our call for transparency around opportunities, evaluations and pay gaps to provide certainty for black women when negotiating their career. Transparency also makes salient to senior leaders in the organisation the managers that enable colleagues by affinity rather than talent.

Please check it out. We rely on people like you to take on the recommendations and push for action over virtue signalling. ■