

# If the market decides what stockbrokers earn, why are women on Wall Street earning less?

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The recent excesses of Wall Street may be big news but behind the headlines there's another story: When it comes to men and women stockbrokers, someone is taking home a bigger paycheck.

New research shows that women stockbrokers sometimes earn as much as 20 percent less than their male counterparts. "Stockbrokers are among the highest paid workers, yet they have the greatest [gender inequality](#) among all sales worker [jobs](#)," says Prof. Janice Fanning Madden, who conducted the research.

Her paper "Performance-Support [Bias](#) and the Gender Pay Gap Among Stockbrokers," will appear in the June issue of *Gender & Society*. The study is the first to show that bias can affect performance-based pay. Prof. Madden teaches at University of Pennsylvania, Philadelphia.

Madden looked at data collected from two of the largest commercial brokerage houses in the U.S. after women at both firms sued over wage disparity, claiming sexual discrimination. Madden is the first researcher to gain access to this type of in-depth brokerage data. She analyzed the information after being retained as an expert witness for the plaintiffs in their class action lawsuits. The firms provided records on more than a billion individual transactions on customer accounts for 1994, 1995, and 1996. Madden was also given the complete employment histories of brokers from each company; almost 90 percent were men.

Unlike other studies that have looked at the gender wage [gap](#), the women stockbrokers were not paid – or given raises – based on subjective performance reviews by their managers. At both firms [men and women](#) were paid entirely by commission, using an algorithm that was the same for everyone and could not be changed by managers.

The women brokers said the differences in their earnings stemmed from unequal treatment, claiming they were given less support than men and assigned inferior accounts. The brokerage houses blamed gender differences, such as "sales capacities," for the disparity in pay.

Madden, however, found there was no difference in the ability of women to make sales compared with their male colleagues.

(Both lawsuits were eventually settled, before trial, on terms that the media regarded as "favorable to the plaintiffs." As part of the settlement, both firms revised their procedures for distributing accounts to brokers, allowing for less management discretion. They also put more standardized criteria in place.)

"Stock brokerages are less hierarchical than most organizations in that they have a relatively small number of job levels," Madden says.

"Stockbrokers, in particular, are all in the same job—there's no hierarchy—and their pay is based entirely on commissions generated from their sales of securities, not on supervisors' more subjective evaluations of their performance."

Is it possible that some customers discriminated against female stockbrokers? Madden says yes, but overall the evidence points to the fact that the firms assigned [women](#) "inferior sales opportunities" in the first place.

Provided by Sociologists for Women in Society

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