Women in finance face harsher discipline than men

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A new study found that women working in the financial advisory industry are punished more severely than their male coworkers for similar misconduct. Credit: Sam Valadi/Flickr Creative Commons

While most contemporary women's rights protests focus on workplace issues such as unequal pay, one form of gender discrimination has largely flown under the radar.

In "When Harry Fired Sally: The Double Standard in Punishing Misconduct," recently published as a *National Bureau of Economic Research* working paper, researchers explore how women working in the financial advisory industry are punished more severely than their male coworkers for similar misconduct.

The researchers—Gregor Matvos of the University of Chicago Booth School of Business, Amit Seru of Stanford University and Mark Egan of the University of Minnesota—acknowledge that such discrimination is less likely to draw widespread attention than issues such as the wage gap because claiming wrongful termination is often baseless. However, "it is only after observing that, on average, male advisers were not fired for similar transgressions that one can detect discrimination," said Matvos, an associate professor of finance.

Following an incidence of misconduct, female advisers are 20 percent more likely to lose their jobs and 30 percent less likely to find new jobs relative to male advisers, according to the study.

The researchers' data set contains all financial service employees registered with the Financial Industry Regulatory Authority from 2005 to 2015, obtained from FINRA's BrokerCheck database. By obtaining advisers' registrations, entire employment history and disciplinary events records, the researchers were able to determine which professionals had been disciplined and the consequences they faced subsequently.

Researchers also determined that males are more likely to commit acts of misconduct, and that the effect on women is more far-reaching.

"Although men commit misconduct at a rate that is three times higher than women, women face substantially harsher punishments both by the firms that employ them, and other potential employers in the industry," the study stated. For example, if a woman is fired for breaching a confidentiality agreement, she will have a more difficult time getting rehired than a man in a similar situation.

Essentially "the financial advisory industry is willing to give male advisers a second chance, while female advisers are likely to be cast from the industry," according to the study.

The researchers attempted to identify reasons for this phenomenon, hypothesizing that perhaps their findings were a result of unintentional or statistical discrimination. For example, they explored the possibility that women's transgressions are statistically more costly and therefore more detrimental to firms. However, they confirmed that misconduct committed by male employees is not only more frequent but more costly.

"In other words, even if job separation rates following misconduct were identical, these results would still suggest that punishment of misconduct is biased against women," Matvos said.

Although these findings provide a new insight into workplace gender discrimination, the theme is quite familiar to women currently in the workplace. According to a survey referenced in the essay, almost 88 percent of women in the financial industry believe that discrimination exists within the industry, 46 percent of women think that gender discrimination exists at their particular firm and 31 percent said that they have personally been discriminated against based on gender.

More information: When Harry Fired Sally: The Double Standard in Punishing Misconduct. *NBER* Working Paper No. 23242 (DOI): 10.3386/w23242

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