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NEED TO KNOW? Amanda Grant said more job candidates now are declining to share their salary histories.

Money Management

Salary history ban won't be problem for money managers, recruiters say

By DANIELLE WALKER

The asset management industry has largely embraced new laws in several cities and states that prohibit employers from inquiring about the salary history of job candidates.

And even in places where there are no salary history bans, firms have instituted internal policies in an effort to keep pace with the movement, recruiters say.

Since last year, California, Delaware and Massachusetts have joined the list of areas with tightened recruitment requirements. New York City passed a similar ban, which became effective a little more than a year ago, in an effort to deter unequal pay practices hindering women and minorities.

While some money managers continue to ask salary history questions, where they are still legally permitted, job candidates increasingly have become empowered as recruitment standards have changed and are opting not to share such information, even when asked, according to one recruiter.

"Many of our (asset manager) clients have made a firmwide or global change," to do away with salary history questions, said Amanda Grant, managing partner at executive recruiter Third Street Partners, New York.

However, "there are still firms asking when they can," Ms. Grant added.

"But more and more folks are not sharing even when they can. We've definitely seen a particular pool of candidates opting out of disclosing (their salary history) and focusing more on what their expectations would be of a new company."

While the compensation laws aim to chip away at pay gaps affecting gender and ethnic

SEE SALARY ON PAGE 36

Salary

CONTINUED FROM PAGE 3

minorities across industries, the legislation also has been useful for other cohorts looking for new job prospects.

Individuals in the later stages of their careers in asset management have often opted out of disclosing their current or past salaries, Ms. Grant said.

"They are often perceived by that new company as being too experienced and potentially too expensive," she explained

Long-tenured employees typically are paid 20% to 40% less than new employees hired in a competitive environment, a research paper published this month on unconscious bias found. This pay gap is often seen at highly skilled professional services companies, inclusive of money managers, said recruiter George Wilbanks, managing partner at Wilbanks Partners, Stamford, Conn., who co-authored the paper, "Unconscious Bias in New Hire Compensation: Profitability Expectations vs. Gender Pay Bias," alongside Catherine Verhoff, the former chief diversity officer of PGIM who recently retired from the firm.

The 20% to 40% pay gap that Mr. Wilbanks has seen among long-tenured employees at money managers has been irrespective of position, whether sales or investment roles or among exempt and non-exempt employees (categorizations under the Fair Labor Standards Act differentiating employees who are entitled to overtime pay and minimum wage).

Money managers that fill roles through internal promotions over prolonged periods of time, rather than through external hiring, tend to be exposed to less market data and often "don't keep up with competitive compensation," which can lead to these pay gaps, Mr. Wilbanks said.

Another recruiter has seen that the new salary history laws have "created a level playing field amongst the candidates," and had the biggest impact on junior to mid-level professionals "where you typically see the greatest gaps in terms of compensation for similar positions," said James "Jim" Cooper, managing partner at executive search firm Concentriq LLC, Wenham, Mass.

Gender pay gap

New pay disclosure laws in the U.K., where they don't have the kind of salary history laws that are becoming more common in the U.S., have uncovered noticeably larger gender pay gaps in investment management compared to other industries.

While the median mean pay gap for all U.K. companies was around 14%, investment management firms charted a median mean pay gap of around 30%, which accounting firm PricewaterhouseCoopers attributed primarily to the lower number of women in senior leadership and portfolio management roles in the industry in its June report.

PwC analyzed data submitted by more than 10,000 companies across England, Scotland and Wales at the time, to spotlight findings across various industries, including investment management. In total, PWC identified 53 investment management companies within the public disclosures, a spokeswoman wrote in an email.

Third Street's Ms. Grant said there is not yet enough data in the U.S. to determine whether new compensation laws have moved the needle as far as pay by gender in the industry. Separately, the industry as a whole must work to close gaps rather than relying on the laws, she said.

"The bigger question is not (whether) this law is closing the gap, but is the industry closing it?" Ms. Grant added.

What has changed, however, following new laws, is that money managers are focusing more on how they should value specific roles within their organizations, rather than being influenced by the compensation that a candidate might have received for the position in the past, she continued.

A labor and employment attorney noted that if a company already has pay disparities, changing the line of questioning about compensation for recruits is not going to be enough to change the problem, but "it will force companies to consider candidates by their merit or qualifications," said Matthew Kissling, who is an associate based in the Cleveland office of law firm Thompson Hine.

His firm has recommended companies strike salary history questions entirely during the hiring process regardless of their location, not only due to the expanding number

William Taufic

UNAWARE: George Wilbanks said some firms don't keep up on current pay thresholds.

of state and city bans, but due to scrutiny at the federal government level.

Compensation discrimination, in particular, has been a renewed area of focus for the Equal Employment Opportunity Commission, Mr. Kissling said.

Left behind

Though money managers largely have stopped asking candidates about their salary history, some investment professionals have stuck to a more traditional approach when working with executive recruiters and will opt to share their compensation information, said Michael Kennedy, a senior client partner in the Atlanta office of Korn Ferry, an executive search and recruitment firm.

New compensation laws, including the New York City ban, do not penalize employers if job applicants voluntarily disclose their salary history without being prompted. If employers fail to comply with the bans, penalties in New York could range from $125,000 to $250,000 depending on whether the violation was unintentional or malicious.

"Many investment executives will return to their normal approach and go ahead and share the information with us anyway because they want to make sure that we have it and make sure we can plead their case if they want a nice raise. I think it's across the board, certainly on the pension side, but even on the asset management side," Mr. Kennedy continued.

In 2017, the average salary, including bonuses, of employees in New York City's securities industry increased by 13% to $422,500, a September report from the office of the New York State Comptroller Thomas DiNapoli found. Industry salaries recorded the highest average since 2008, the report said.

While most asset managers, and even large pension plans that Korn Ferry works with, are a step ahead of changing laws, exceeding minimum requirements such as phasing out salary history questions, there are still some exceptions.

"In some pockets, there's a lack of awareness, which I found interesting," Mr. Kennedy said, referring to some smaller pension plans as not being aware of new statutes.

He has informed at least one pension fund client that was unaware of new compliance requirements in its jurisdiction, which included speaking with their general counsel.

Money managers, on the other hand, are increasingly tapping into external surveys or benchmarking data to take a harder look at their salary and incentive ranges for various roles within the organization, said Brian Dresch, an associate client partner in the executive pay and governance practice at Korn Ferry in Stamford, Conn.

Some pension funds also have begun relying more on compensation consultants to gain an understanding of benchmarks for certain roles, but others are lagging behind on this front.

"Certainly, the large plans, they are knowledgeable about (salary history bans) and taking steps, but for the smaller ones, the verdict is still out," Mr. Kennedy said. ■