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No Women Want Their Own Private Equity Firm Because Of The Gender Pay Gap

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Hand turns a dice and changes a unequal sign to a equal sign between symbols of men and women.
GETTY

Acknowledged as an old boys' club, the private equity industry is at risk of becoming further underrepresented by women due to issues around the gender pay gap, a lack of diversity and a resistance to change the macho culture that persists in this sector.

According to the 10th edition of Investec's General Partner Trends survey, 0 percent of women surveyed would like to start their own private equity practice if they left their current firm, down from 2.3 percent in 2019.

Three in five also believe that they would be paid more for doing the same job if they were a man.

While the private equity boom of the 1980s and 1990s attracted the best minds in financial services, women did not enter the sector at the same rate as men. Today, women only make up 9.4 percent of senior positions in private equity, and only about 18 percent of the industry's workforce (Preqin).

Deborah Sayagh, Investec Private Bank, highlighted that this survey aims to question the private equity industry about whether current employees see themselves working in the space in the next three years and if they feel as if there is sufficient succession planning.

She added that many are comparing the impact of the Covid-19 outbreak to the financial crisis of 2008 and in conversations that happened more than a decade ago, "people were saying that if we had more women in senior leadership positions, we would not have had such an extensive crisis. It is important to have diverse teams to get us out of crises."

Sayagh expresses that in times of crisis, diversity is "put to the side and is not seen in conjunction with recovery." Before ensuring that there are diverse voices in the room, leaders focus on fixing the issue at hand without considering the link between high diversity and high performance.

“We talk a lot about the progress that has been made, but the reality is that we’re not far enough that it’s ingrained in the DNA. It’s still a project, and this project can get sidelined, especially when it comes to gender pay gap reporting,” Sayagh said.

Private equity firms historically recruit the best and brightest from Fortune 500 companies, management consultancies, investment banks, accounting and law firms, which themselves are not very diverse. Firms will need to change their hiring culture in order to instigate true and valuable transformation and reverse the tradition of men at the top in private equity, and financial services as a whole.

Investec found that 21 percent of women are dissatisfied with their careers in private equity, compared to eight percent of men. This means that as other sectors in the financial services space become increasingly innovative, this industry is under threat of becoming regressive as it continues to operate without consciousness of the importance of diversity.

Emily Cvijan, Investec Private Bank, commented: “We all know it takes time to redress imbalances, which can be a challenge for such an established industry, but it is incredibly telling that the general partners considering going it alone are exclusively male.

Women would rather start their own business outside of the private equity space (14.7 percent compared to 11 percent of men), move within the finance industry (20.6 percent compared to just 3.2 percent of men) or move out of financial services altogether (8.2 percent compared to 6.9 percent of men.)

In line with the lack of recognition for the need for female representation in this industry, the gender pay gap is part of the reason for this desire to move away from the private equity space. In 2018, Blackstone BX +0.2% revealed that its female employees in the U.K. earn an average of 30 percent less than their male colleagues.

Women earn 65 pence for every 1 pound paid to men on a median hourly basis, the New York-based firm said in a statement. However, the pay gap is just the tip of the iceberg when it comes to inequality in this space and in turn, will be a deterrent for women wanting to enter into the fund management, leveraged buyout or venture capital arena.

Investec also found that for many in private equity, there is no significant change in career satisfaction, with 47 percent of men and 45 percent of women saying there was no change for them compared to 2019.

In addition to this, whilst the number of women who are dissatisfied is down from nearly 30 percent in 2018, the number of satisfied women is also down from 42.2 percent to just 32.7 percent. Male satisfaction is also down at 42.9 percent compared to nearly half in 2018.

It is clear that frustrations will continue if nothing is done to remedy this issue. Investec findings reveal that 67.6 percent believe that their firm considers diversity to be an important issue - and 18.9 percent strongly agree that equal opportunities are being prioritised by their businesses, a 10 percent increase compared to 2018.

89.8 percent of male respondents either agree or strongly agree that firms are trying harder to bridge the gender gap at work. However, almost 20 percent of women still do not believe that their firms consider diversity and equal opportunities to be key in building a successful business with longevity.

The lack of women in senior roles reflects the historical structure of the industry. Cvijan highlighted that there are signs of change emerging with organizations like Level 20 driving positive change in this area, and stalwarts such as Cheryl Potter and her work with the BVCA demonstrating the progress being made and providing women with much needed and very visible role models.

“Our research shows there’s still extensive work to be done to ensure this goes even further. A key area to address remains transparency around the gender pay gap. This is something that’s absolutely essential if we’re going to keep more women in the sector.

“We need to ensure that more women feel that a successful career in private equity is accessible to them, and that they can build their own firm if they wish ”