WOMEN AND MONEY
RESEARCH

Producer Success – Does Gender Matter?

by Mary Quist-Newins, CLU®, ChFC®, CFP®

> The state of the industry from a female perspective

American women today own more than half the nation's wealth, represent 52 percent of the workforce and comprise more than 60 percent of those earning bachelor's and master's degrees. Yet, many of the same advancements they have realized in other industries have yet to be achieved in financial services. The ranks of financial services producers—insurance agents, stockbrokers and financial planners—remain largely male dominated. Industry research consistently reflects that across virtually all production models, male producers outnumber females by roughly three or four to one. Worse yet, LIMRA reports that women represent a fractional minority, about one in eight or 10, of those in field leadership positions having line responsibility.

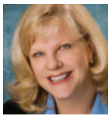
Cognizant of the growing economic clout that women possess, most market-leading financial services firms aggressively recruit female producer candidates so that the "face of the field" more closely mirrors the market. Their efforts have met some success as female recruitment has been on the rise. Retention, however, is another story. While producer retention rates have long been both unacceptably low for both genders, those for women have been worse than for men. For example, in 2006 LIMRA found that just 19 percent of male and 15 percent of female agents remained with their hiring company after the fourth year.

There can be no doubt that producer turnover exacts a heavy toll on the industry. The most tangible consequences include wasted recruiting, hiring and infrastructure support costs, along with dissatisfied customers and increased lapse/cancellation ratios. Less acknowledged are the costs associated with morale that suffers among surviving producers and missed marketing opportunities.

To help the industry address its retention challenges, The American College recently surveyed students and alumni looking for determinants of producer success and what, if any, differences might exist between genders. The study was conducted in collaboration with Dr. Karen Lahey, College of Business Administration, University of Akron. Consistent with gender representation norms for the industry, 75 percent of the 1,575 producer respondents of the 52-question survey were male. Analysis of the responses revealed statistically significant differences between genders across a range of attributes. Among the most telling factors related to retention were industry tenure, earnings, work-life balance, education and perceptions related to organizational support.

INDUSTRY TENURE AND COMPENSATION

One of the most striking differences between male and female producers was the disparity in net earnings. The vast majority of respondents, approximately 80 percent for both genders, claimed commissions as their primary method of compensation. When asked about take-home pay after all expenses and before income taxes, the differences were startling. Nearly four in 10 females netted less than $50,000 per year, nearly twice the percentage of males in the same earnings category. Conversely, men were much more likely to reach the upper income brackets as reflected in the table on the following page.



Mary Quist-Newins, CLU®, ChFC®, CFP®

As the State Farm Chair in Women & Financial Services at The American College, Mary is also the author of *Women and Money: Matters of Trust.*

Question: What are your approximate total net (after overhead, before tax) earnings?	Male Producers	Female Producers
$0 – 25,000	6.6%	12.8%
$25,001 – 50,000	14.4%	26.3%
$50,001 – 75,000	17.2%	19.6%
$75,001 – 100,000	17.5%	11.9%
$100,001 – 150,000	18.5%	14.4%
$150,001 – 200,000	10.6%	7.6%
$200,001 – 250,000	5.0%	3.1%
OVER $250,000	9.2%	4.3%

It comes as no surprise that tenure is positively correlated to earnings. Industry veterans know that, in general, the longer one is a producer, the higher the income because of both larger case sizes and trailing/renewal commissions. As one might expect, men also had more years of experience (17.8 vs. 14.6 years). It is worth noting that men were significantly more likely to have more than 16 years in the business (43.7 percent compared to 31.6 percent), with the opposite holding for women (30.4 percent with five or fewer years vs. 21.4 percent for men).

Because significantly fewer women have more than 16 years in the business, it logically follows that their compensation would be lower. The largest discrepancy of earnings between genders occurs for those that have the greatest tenure. As women in general are newer to the business, one possible explanation is that the cutoff at years is too early, thus not reflecting a continued income arc with more discrete time intervals beyond 16 years. The following table reflects producers with net annual incomes of more than $100,000, co-varied with years of experience.

Producers with the following years of experience, earning $100,000 net per year:	Male Producers	Female Producers
0 – 5 YEARS	3.3%	2.4%
6 – 10 YEARS	6.7%	5.5%
11 – 15 YEARS	7.2%	6.7%
16+ YEARS	26.2%	14.4%

Regardless of gender, worth noting is just how long it takes to achieve a six-figure net annual income. For example, just 7.2 percent of men and 6.7 percent of women with 11 to 15 years of industry experience clear more than $100,000 after overhead and before taxes. Considering survey participants were students and/or alumni of The American College where more than three in four have a college degree or higher, the protracted reward period is surprising. On a related note, when respondents were asked what could be done to improve producer retention rates, regardless of gender, the most common suggestion was to increase compensation.

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ORGANIZATIONAL SUPPORT

Beyond financial rewards, elements of organizational support, particularly leadership, were important to both men and women in the study. For those that had changed companies during their financial services career (roughly one-third had), the No. 1 reason was lack of leadership support (45.8 percent for men, 47.8 percent for women). In fact, poor leadership was cited more frequently than inadequate compensation, the second most commonly cited motive (24.3 percent for men, 30.4 percent for women).

The study also found that female producers tend to place higher value on environment, joint work and mentoring. Women were significantly more likely than men to rank these attributes as "very important" to retention. These findings echo other industry and academic research citing the importance of culture, mentoring and role models, particularly for those in groups with minority representation.

WORK-LIFE BALANCE

When analyzing the relationship of earnings to family dynamics, the study showed that having a stay-at-home spouse/partner along with spousal support in the home increases gross earnings. Men were nearly three times more likely (31.1 percent) than women (10.2 percent) to have a stay-at-home spouse. In addition, female producers were more likely to shoulder familial responsibilities than their male cohorts, as reflected in the table on the following page.

Which of the following best describes your approach to balancing work and personal life? *(Please pick your top three answers.)*	Male Producers	Female Producers
	Percent of those who answered the question	
Share personal responsibilities with spouse or partner	63.3%	55.7%
Recreational activities	53.9%	37.7%
Curtail personal and/or family interests	40.6%	40.1%
Work at home	32.8%	33.4%
Employ outside services for domestic help	21.0%	32.8%
Hand over responsibilities to spouse or partner	20.4%	11.4%
Rely on supportive relatives other than spouse or partner	10.7%	15.1%
Work part-time	6.3%	9.3%
Postpone having children	5.6%	8.1%

In light of greater responsibilities at home, many women may not be able to dedicate as much time to their career as men. The largest percentage of producers for both genders worked 40 to 49 hours per week (40.4 percent of men and 47.1 percent of women). More women (27 percent) than men (20.4 percent) reported working less than 30 hours each week. The opposite was true for those putting in more than 50 hours per week, with 38.8 percent of males reporting this work pattern compared to 27.8 percent for females.

EDUCATION

Acquiring advanced designations was found to be a significant contributor to producer income, and male producers are more likely to hold them than are females. For example, the CLU® designation was held by 40 percent of men and 26.7 percent of women respondents. When cross-tabulating net income by CLU® designees, there was a significant difference, with more than half (54.2 percent) earning more than $100,000 compared to less than one-third (31.5 percent) of those without the designation bringing in the same amount. These patterns were consistent for ChFC® and CFP® designations as well.

IMPLICATIONS

What can be done to improve retention of female producers?

- **Evaluate compensation systems.** Systems that substantially skew payouts to the minority in the highest revenue brackets and protract trail compensation may be formidable obstacles for newer producers. Those with lower tenure and/or those who have not yet reached top producer status, need to work harder for less money. In light of frequently greater work-life challenges, these barriers may be more acute for females.
- **Examine organizational support.** Retention best practices within and outside of the industry call for senior leader engagement in the advancement of females, often requiring a significant shift in organization culture. Studies show that successful change initiatives that are good for women are also good for business. Focusing on placing more high-potential females into all levels of field leadership may be an excellent place to start. To assist the industry with developing female talent pools, The American College has recently created the Women's Leadership Academy. For more information on this important program, please contact Alison Pettine at alison.pettine@theamericancollege.edu.
- **Embrace innovation.** Companies like Deloitte LLP have adopted flexible development and advancement models to meet the changing needs of both male and female employees as they progress through their career. While lifestyles, family structures and technology have changed dramatically in the last 30 years, how producers work has not evolved as quickly. Perhaps it is time to re-evaluate the one-size-fits-all producer model with innovative roles that integrate work-life balance, reflect changing consumer lifestyles and technological innovation. Part-time producer tracks, virtual client meetings and leveraging social networking (despite compliance challenges) are but a few examples.
- **Encourage education.** There is no greater investment in an organization's intellectual capital than continuous learning. Companies achieve competitive advantage in the marketplace and retention when their producers perform at the highest levels of competency. Because women frequently have more to juggle, two best practices worth considering are sponsoring study groups and spotlighting female role models who have achieved high levels of education.

The women's market presents vast and largely untapped opportunities for financial services. As more females are recruited, retained and advance in field production roles, the greater the growth potential for the industry both now and in the years to come.