



It's Time to Reconsider Bank Stocks but Not for the Reason You Think

Description

Investing in Canadian bank [stocks](#) such as **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and the rest of the Big Five in recent years has been money in the bank.

Interestingly, just as interest rates have started rising, which is good for banks, the Big Five bank stocks have begun to cool off, averaging a -0.5% return year to date through March 9.

It's possible that Canadian bank stocks have had a good run, and investors are rotating out of them knowing that the best days for selling [mortgages](#) is over.

However, I've got another theory that doesn't just affect bank stocks, but any large publicly traded company with a large number of employees. What I'm about to suggest is not hyperbole, but 100% guaranteed to happen at some point in the next three to five years, and when it does, many stocks, banks included, are going to be crying uncle.

#MeToo movement's financial ramifications

Created by social activist Tarana Burke in 2007, the #MeToo movement got its second wind last October when actress Alyssa Milano suggested in a tweet that all women who've been sexually harassed or assaulted reply to her tweet with "me too."

The rest, as they say, is history.

Personally, I've spent the last few months wondering what the financial implications would be of a movement that ensured women around the world were paid equal wages as men for similar work.

Fair is fair.

It wasn't until I received one of my favourite daily e-mail newsletters a few weeks back called The Broadsheet, published by *Fortune* magazine, that I realized just how enormous this day of reckoning would be from a financial perspective.

#MyPaycheckToo

The newsletter's editor Kristen Bellstrom highlighted a less-than-flattering fact about **Barclays PLC** ([NYSE:BCS](#)), one of the U.K.'s biggest financial institutions: "Barclays, the first big U.K. bank to publish its gender pay gap under country's new disclosure laws, has revealed that it pays its female investment bankers just under half as much as their male colleagues (on average) ... That gap widens to 79% for bonuses paid to employees at its corporate and investment bank."

She goes on to point out that Barclays has virtually no women in a position of power at the bank — just one-third of Barclays's senior managers are women — yet the company's CEO Jes Staley (a man) claims Barclays provides equal pay for equal work across the board.

The facts suggest otherwise.

Barclays, which lost almost €2 billion in 2017, is going to have a hard time coming up with the money to pay these women what they deserve — but pay they will!

Over the pond

If you believe that this is one-off or a situation restricted to the U.K., you are mistaken.

The Ontario government introduced a "pay transparency" bill March 6 that aims to close the gap between what men and women make in the workplace by requiring more information be made publicly available regarding a company's compensation and pay practices.

According to Premier Kathleen Wynne, Ontario women make between 12% and 29% less than men in the province.

Let's consider Royal Bank of Canada as an example.

It has approximately 78,000 employees. I'd guess at least 45% of those employees are women. If it pays women 29% less, and the average man is paid \$75,000, that's \$763 million or \$0.52 per share it would owe its female employees, not including benefits to get to wage equality.

I can't tell you what happens next when it comes to closing the gender pay gap, but I can tell you how it ends: badly.

Any publicly traded company, bank or otherwise, that's got a large number of women on the payroll and is underpaying those women by a significant amount is going to have to pay the piper soon enough. While most companies will merely take a one-time charge to make the problem go away, the hit to the stock price of the biggest offenders could be significant.

So, before you buy your next stock, you might want to find out where the company stands when it comes to pay equality. Your financial health could depend on it.

CATEGORY

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