

The Relevance of Different Gender and Appearance Levels to the Financial Industry Evidence from Financial Analysts

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Abstract: We tried to *determine* whether the analyst's physical attractiveness correlated with job performance. We found that analysts *with* superior appearances tended to produce more accurate analyses than less attractive analysts. Moreover, they could more easily enter a job and get more resources in the short run. The case analysis shows that analysts with excellent appearances usually have a closer relationship with investors and media; their performance level and income also significantly differ from others. However, beauty premium still exists as a problem *that* should be solved.

Keywords: Analysts, Appearance, Attractiveness, Accurate, Beauty Premium

1. Introduction

This study looks into the beauty bias among financial analysts of different genders in the financial industry. It mainly focuses on determining whether an analyst's earnings and becoming a star analyst, which means recognition of his professional skills is related to their appearance. As Financial Times columnist Lucy Kellaway wrote in 2015, "The banking and professional services industries increasingly prefer beautiful people. Slightly ugly people are often overlooked, even if they are very talented."

Financial analysts are among the most vital information intermediaries in the labor market. Competition among industries is particularly fierce. Many governments department and individual companies make explicit requests for age, height, and beauty in their online job postings. I found that some private companies, such as some information technology companies, directly indicate the gender she prefers to hire in the recruitment process.

In the labor market, gender discrimination exists to a greater or lesser extent, especially for females. There are lots of surveys that have shown that women suffer more discrimination than men. I also made a questionnaire for the office workers around me, including teachers, doctors, and white-collar workers. The results showed that a 67percent of the respondents said they were mistreated in the employment process because of their gender and appearance. Some told me that the physically attractive person would earn more income and bonuses than others because they have more customer resources and can be selected as representatives more easily. Thus, these instances give some ideas to create some hypotheses.

Based on the theories I have found, I hypothesized that the higher the level of the physical attractiveness of a financial analyst, the higher the earnings, regardless of gender. Also, good-looking

analysts seem more likely to be recognized for their abilities and analyzed more accurately. I will use three case studies to determine whether this hypothesis is reliable and determine more factors.

2. Literature Review

When I searched the Internet for literature on this topic, I found that many scholars had done relevant investigations and papers.

Daniel Hamermesh published a book called *Beauty Pays*; Professor Hamermesh says beautiful people are more likely to get jobs, raises, and promotions and suggests that, over a lifetime, the best-looking workers will earn about 10- 15 percent more per year than the ugliest." Beautiful people earn \$230,000 more in a lifetime than those with below-average looks [1]. In China, there was also a paper called "The Economics of Beauty" in *China's Labor Market: Does Size Matter?* For every kilogram a woman puts on weight, her earnings drop by 0.4%; For every 1cm increase in height, a woman's wage rises by 2.2% [2].

Regarding the relationship between appearance and income, it is usually assumed or implied that there is a positive correlation: the more beautiful you are, the higher your income.

Given their different research objectives and focus, the above scholars briefly dealt with the problem of a beauty premium. In order to study the relationship between appearance and income.

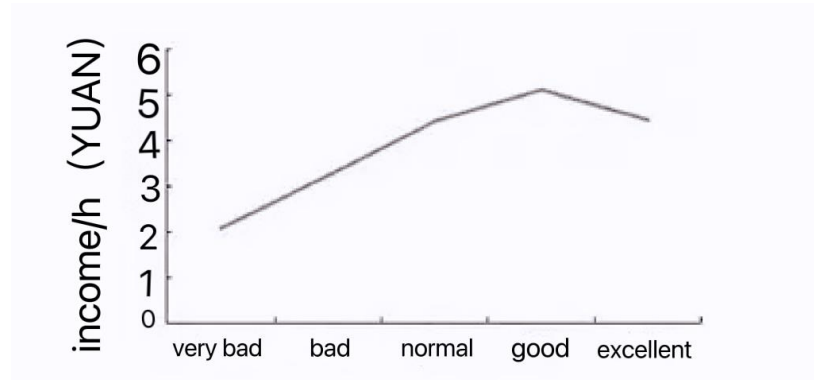


Figure 1: The relation between appearance level and income in Yuan.

A graph shows a 1996 survey conducted by the Population Research Institute of the Shanghai Academy of Social Sciences. They found a sample of 33,000 individuals aged 17 to 60 years. It is clear that income goes up from poor to average and until the good appearance, But when looks go from good to excellent, there is a significant downward trend in earnings [3].

Thus, beauty has a limit; before reaching it, beauty could help gain a higher income, but beyond that point, the increase in beauty undermines the premium. These could be indicated in a curve similar to the shape of high heels, as shown in Figure 2.

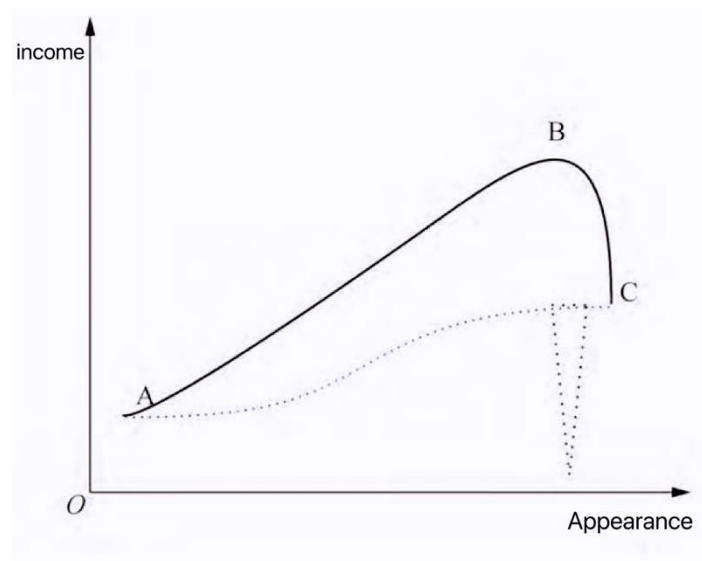


Figure 2: “High heel” curve.

The graph shows two stages, from A to B, showing a positive relationship between the two quantities. At this time, people could get bonuses for their appearance to get higher wages. On the contrary, from B to C, too much beauty will hurt employees [4].

3. Case Study

- 3.1 Financial Analysts' accuracy of profit forecast with their appearance
- 3.2 Mean differences in appearance levels among financial analysts of different genders
- 3.3 China New Wealth's Best Analyst selection

3.1. Financial Analysts' Accuracy of Profit Forecast with Their Appearance

A paper published in the Journal of Accounting Research, 'Facial Profiles and Earnings Forecast Accuracy of Financial Analysts in China,' found that analysts with high fWHR (face width to height ratio) were likelier to conduct field research on companies, and they performed better in several ways. The so-called facial width-to-height ratio is the ratio between the width of the two cheekbones and the distance between the upper lip and eyebrow.

According to the paper, analysts with high fWHR produce more accurate earnings forecasts, are 43 percent more likely than average to be selected as star analysts, provide more good stock advice, and are twice as likely to take investment banking trades to brokerage firms [5].

In a similar case, the researchers surveyed 89 056 earnings forecasts made by 2,328 analysts from 102 brokerages in China between 2005 and 2014. At the same time, the researchers downloaded the credentials of the sell-side analysts who made the earnings forecasts from the Securities Association's website and asked 63 reviewers with a variety of educational and professional backgrounds, incomes, and social experience to rate the analysts' appearance on a score of one to five [6].

In these two cases, the results showed that the more attractive the analysts, the more accurate their predictions were. At the same time, the more attractive analysts are, the more favored they are in seeking information from the management of listed companies; they are more willing to provide information for the physically attractive analysts. In addition, better-looking analysts may have more opportunities to research public companies and appear on social media, which provides better connections with institutional investors and more support from the buy-side employees.

3.2. Mean Differences in Appearance Levels among Financial Analysts of Different Genders

In order to demonstrate gender discrimination in the financial industry, I found that someone who had taken photos of over a thousand American financial analysts from the Internet and randomly rated them and came to an exciting conclusion: female analysts generally score higher on the level of physical appearance than men, and this phenomenon exists in both China and the United States. For example, American male and female analysts averaged 48.48 and 61.08 out of 100 points, respectively, while Chinese male and female analysts averaged 46.05 and 62.52, respectively. As a result, looking good is much more vital for women in the labor market than men [7].

The men at the top of the list were Piper Jaffray, an investment bank specializing in mergers and acquisitions and financial restructuring; It has been named one of the "50 Most Trusted Financial Companies in America" by Forbes magazine. Bank of America Merrill Lynch had the highest level of female appearance. It is worth noting that Goldman Sachs, the Top investment bank, ranked in the Top 3 for both male and female analysts [8].

However, beauty does not become beneficial for employers, especially females. As I wrote above, the beauty premium exists in this industry; a high-level physical attractiveness may resist career advancement. For example, the workers who have better looks would be wrongly considered more capable, leading to the generation of information failure. They are more willing to find a high-wage job, but their labor mobility is high too. Moreover, most women employees tend to the less physically attractive female applicants. In addition, attractive female analysts also suffer from inflexible impressions and questions about their abilities from others.

3.3. China New Wealth's Best Analyst Selection

Recently, the registration of candidates and the solicitation of voting institutions for the 20th New Fortune Best Analyst Competition opened in August 2022. As a result, 49 securities companies from more than 1000 analysts/sales signed up to participate. This magazine has conducted this ranking for financial analysts for 19 years ago. *New Fortune* will collect votes from qualified buyer companies for top analysts in various industries or sectors every year. The firms cover public funds, insurance companies, QFII, banks, private funds, and other institutions. The total assets managed by the voting institutions exceeded 80 trillion yuan [9].

The process is highly rigorous; there are many conditions for selecting candidates. For example, the analysts who participate in the selection need to have the professional qualification of securities investment consulting and the number of years engaged in relevant work. In addition, the final score of the analyst can only be obtained after a series of operations, such as weighting, after the director in charge of each department fills in the questionnaire as required, which will be audited by the accounting firm at the last stage.

After studying the selection process, I found that voters can quickly obtain the candidate's professional background, performance record, and other information directly related to their workability without the need for indirect signals such as appearance level. Instead, the factors are more focused on the frequency of analysts' reports, the popularity of brokerages, and the number of companies covered by analysts.

From this case, we can see that in the highly competitive financial industry, gender discrimination, mainly physical attractiveness is not so important or more related to personal ability. So now, many securities research institute has launched and split the income linked to the assessment mechanism, testing the comprehensive strength of analysts.

4. Conclusions

After a lot of research and investigations, the financial industry, especially the banking and professional services industry, is becoming increasingly demanding on appearance. If two candidates have similar resumes in all areas, and one is significantly more physically attractive, that does give them an advantage in salary negotiations. Good looks help analysts quickly exchange helpful information to achieve a better relationship with senior executives of listed companies and have more communications with them. Analysts will have a more thorough understanding of the industry to screen out high-quality targets.

In the case of the financial analysts that I studied, I found that different genders also lead to different structures; for female analysts, being too beautiful will lead to beauty discrimination, but for males, this situation is not very common. Thus, I think we should envisage the existence of gender discrimination and beauty premium to change the situation through laws and regulations or policies. For example, some countries have also introduced related policies, such as *Equal employment opportunities for men and women* in Japan. It has been in effect since April 1986. Therefore, more and more people will pay attention to these problems in the future to gradually put forward feasible programs, policies, and measures to improve gender discrimination and beauty premiums gradually.

Beauty is only a plus in a financial analyst's career, and the most critical evaluation is based on the ability's experiences and educational background. Besides, everyone has their own subjective opinions and aesthetics about physical attractiveness. Therefore, what you think of as handsome may be just average in the eyes of others. So, in my view, analysts and all ordinary people could pay more attention to the development of the atmosphere, for example, through the symmetrical figure, straight body, clean and fresh personal image (hair without oil, good skin management, preparing suitable wear) these angles to make yourself present a better overall look and feel.

The above is my conclusion and related solutions and prospects for the future through these cases. I believe that more and more economists and politicians will take note of these drawbacks in the labor market. At the same time, employers and customers should reduce their own gender and appearance discrimination against employees of different genders. This can solve some problems in a fundamental sense.

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