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EOC Takes Up Morgan Stanley Case

Dan Ackman, Forbes.com, 09.11.01, 9:11 AM ET

NEW YORK - You can read about Allison Schieffelin, or you can turn the page.

While working as a bond saleswoman for **Morgan Stanley** (nyse: MWD - news - people), Schieffelin was paid \$1 million per year or more. While some might call that level of compensation adequate, even excessive, consider the indignity: Bond salesmen, being men, were paid even more. As a result, the federal government has taken up her cause.

The U.S. Equal Employment Opportunity Commission (EEOC) yesterday sued Morgan Stanley, one of Wall Street's top firms, accusing it of "engag[ing] in a pattern or practice of discrimination" against a class of women employed by the firm as associates, vice presidents or managing directors. So far, just one woman, Schieffelin, a former vice president who earned \$1.35 million in 1998, has been named as a victim. The case is pending in a Manhattan federal court.

The EEOC also claimed that Morgan Stanley retaliated against Schieffelin, 40, after she complained that she had been denied the additional pay and a promotion she had earned. The firm fired her in October.

Other brokerage firms have faced sex discrimination suits based on allegations that they denied women equal pay and promotional opportunities. **Merrill Lynch** (nyse: MER - news - people) and **Smith Barney** have both settled class-action suits in recent years.

But these cases were on behalf of relative peons, female stockbrokers and support staff. The claims were that the women were subjected to lewd comments and behavior. This case is different.

The EEOC has now rallied to the side of senior level women who have suffered in Morgan Stanley's institutional equity division since 1995.

EEOC lawyers admit the case is unusual because most such cases are filed by private attorneys, are pursued through arbitration and are settled privately. Nearly all Wall Street employees (as well as customers) sign arbitration agreements, meaning they cannot sue in court as the EEOC is doing.

She says 100 individuals are alleging bias. But the bare bones, five-page complaint names only one and offers no details.

Some wondered whether the government would go to court to fight for someone who earned more than \$1 million a year for several years. But this is the kind of discrimination plaintiff the Bush Administration can get behind.

"I came to New York today not only to thank Ms. Schieffelin for her courage but also to sound a wake-up call to all employers," said EEOC Chairwoman Cari Dominguez at a press conference. "This administration will not allow—in any form, at any level or in any industry—the existence of workplace barriers that operate to exclude on the basis of gender or any other impermissible personal characteristic."

The complaint says that Morgan Stanley retaliated against Schieffelin, who sold convertible bonds, after she claimed in a 1998 complaint to the EEOC that she was denied a promotion because she's a woman.

She alleges that after she filed her complaint against Morgan Stanley, her bosses thought less of her and acted out in response. They kept her out of contact with

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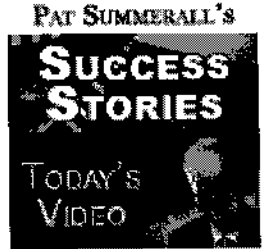
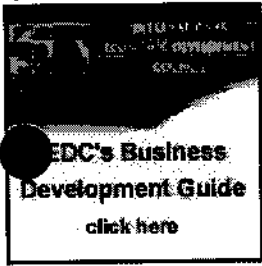
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clients, disparaged her to other employees and give her poor performance reviews. Schieffelin says less-qualified men were named managing directors at Morgan Stanley.

Morgan Stanley denies the charges and says she was dismissed after starting "an abusive confrontation" with the woman who got the job she is suing over. The firm vowed to fight the EEOC and Schieffelin in court.

The EEOC says Schieffelin's pay is not important. "Our laws and our citizens now demand that those same [free market] principles that have worked so well in the marketplace be applied to the workplace." Dominguez said in a statement. In other words, it's not the money, but the principle.

But if there is one place where money and the principle are one and the same, it's Wall Street. Anyone can see how many bonds this saleswoman sold as opposed to that one. While lewd humor and other offensive behavior was once rampant in the financial community, where is the profit in denying equal treatment to the firms million-dollar-a-year employees. Even on Wall Street, even at Morgan Stanley, only a small minority of employees are at that level.

Morgan Stanley has a history of botching conflicts with its employees. In 1998, it fired Christian Curry, a junior staffer who filed false expense reports and later tried to hack into the firms computers. Morgan Stanley paid an informant \$10,000 to set up Curry and wound up as a defendant in a race discrimination case. It paid \$1 million--albeit to a charity--in settlement.

For now, Morgan Stanley is talking tough. If there is any discrimination case it can fight and win, this one seems to be the case. Let's see if the tough talk holds.

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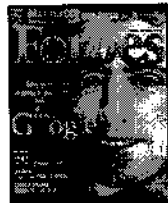
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