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Morgan Stanley: Big Bucks For Bias

[Dan Ackman](#), 07.13.04, 9:15 AM ET

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If you must be discriminated against, Wall Street is definitely the place.

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Yesterday in New York, **Morgan Stanley** (nyse: [MWD](#) - [news](#) - [people](#)) agreed to pay women in its institutional equity division a total of \$54 million, including \$12 million to Allison Schieffelin, the lead plaintiff in the lawsuit brought by the U. S. Equal Employment Opportunity Commission alleging discrimination in promotion and compensation.

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While \$54 million is nothing to Morgan Stanley--it amounts to four days of profit and less than one day's revenue for the bank--it's huge for the EEOC, to say nothing of Schieffelin.

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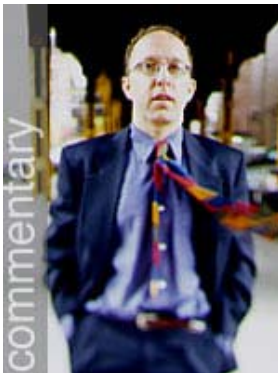
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The sum in this single case is more than the EEOC has collected in litigation damages in three out of the last four years. In 2002, for instance, the EEOC won a total of \$52.8 million, while filing 364 court actions. It won another \$258 million in settlements in cases in which it did not file suit that year.

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It is not clear how many women will ultimately participate in the settlement. If 100 women come forward, which is the number the EEOC has suggested, though a Morgan Stanley spokeswoman indicated before the settlement that the firm believes the number is smaller, they will take an average of \$400,000. In EEOC settlements for 2003, the average payout was less than \$30,000. The average settlement or judgment for cases litigated by the EEOC (which, like the Morgan Stanley case, often involves multiple plaintiffs) was about \$390,000, even in a good year.

Thus, coming to Wall Street proved lucrative for the agency as it has been for so many before. The settlement is also the second largest for the EEOC in its history and the first against a major brokerage firm.

For Morgan Stanley, the decision to pay came just moments before a federal court trial was to start, but after it lost a series of preliminary battles in the case, such as its bid for partial summary judgment, which

A Basketball Miracle

The trial would have aired statistical evidence and testimony by Schieffelin, 43, who was fired from her sales position in 2000. She had been at Morgan Stanley since 1986 and at the end of her tenure was paid more than \$1 million a year. At the time, Schieffelin was happy to do it. "I wanted to get ahead, but also because I loved the business. I loved the firm. Morgan Stanley had no more loyal employee than me," she said when the lawsuit was filed. "I promoted Morgan Stanley in every possible way."

Schieffelin said she was denied in 1997 a promotion to managing director, the top title at the bank, which is conferred on roughly 1,000 of the company's 51,000 employees. She alleged less qualified men were promoted. She said her boss, Anthony Bosco, called her "an angry, bitter woman" who "didn't have a life."

Schieffelin and the EEOC alleged the firing was part of a campaign of retaliation for her 1998 complaint to the agency. The bank said the termination was for "gross insubordination." Testimony may have included stories of clients being ushered to strip clubs and allegations of sexual harassment. Beyond Schieffelin's individual case, the EEOC alleged a "pattern and practice" of discrimination.

The case, while based on an earlier administrative complaint, was filed in federal court on Sept. 10, 2001. A day later the agency's New York office, which was in the World Trade Center, was destroyed in the terror attacks.

In announcing the settlement, Morgan Stanley continued to deny the allegations and contended that it has, at all times, treated its female employees fairly and equitably. "We are proud of our commitment to diversity, and would like to thank the EEOC staff for working with us to conclude this matter in such a positive way," Chief Executive and Chairman **Philip Purcell** said in a prepared statement.

Allison Schieffelin said, also in a statement, "I am happy that this case has been settled to the satisfaction of all the parties."

A retired federal judge and former congressman and White House Counsel, Abner Mikva, acting as a special master, will determine what payments other claimants will receive from \$40 million of the settlement. Another \$2 million will be devoted to anti-discrimination training at the bank, an effort that will be monitored by an internal ombudsman and an outside monitor. The compensation for the master, the monitor and the ombudsman was not disclosed.



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