



# EFR PAPER ON PROMOTING GENDER EQUALITY IN EUROPEAN BUSINESS

## Introduction - Why are we producing this paper?

The European Financial Services Round Table (EFR) is made up of Europe's largest banks and insurers. With this paper we want to bring attention to the issue of gender equality in the workplace, because it affects us as employers and businesses.

Europe is one of the world's most advanced economies, home to many world leading businesses. Yet, as stated in the European Commission's Gender Equality Strategy 2020-2025, which was published on 5 March 2020, **the gender pay gap<sup>1</sup> in the EU is 15.7%**. EFR Member companies believe they have a clear role to play to address the issue **for fairness and equality reasons, but also because it makes commercial and economic sense**. We believe that, while some of the causes extend beyond the workplace, many remedies may be implemented at this level. Examples of this include ensuring that pay is equal for same performance in like for like roles and ensuring that the hiring, promotion, development and retention programmes create a level playing field. We also **support the European Commission's intention to propose binding measures on pay transparency**, which we consider the first step in firms understanding their own position so that they can begin taking steps to address it.

In this paper, EFR would like to share its Member companies' experiences and approaches, for the purpose of **assisting and encouraging others** and to support a broader dialogue between, and within, public and private sectors about the benefits of certain policy approaches and how to achieve them.

This is a substantial task and we believe that there is a role for European policy makers to drive engagement and knowledge sharing, but also to **build up knowledge**, enabling better impact measurement of gender equality policies. This paper therefore also contains recommendations for policy makers.

## Overview of actions for promoting gender equality

There are **multiple causes of gender inequality and it follows that there is no single solution**. Similarly, this means that gender bias and inequality can manifest at different stages throughout the career.

For gender equality to be a reality, it **needs to be embedded within a business across an entire career**, beginning with how people are hired, the training that they receive at an early stage of their career, the opportunities to join management programmes and how they progress into positions of greater responsibility. This makes sense from a business perspective. Indeed, diverse teams are more effective, notably because they can relate to a larger array of customer needs, and more creative. Also, ensuring women get access to opportunities throughout their careers enlarges the talent pool that can be tapped into at each seniority level. Measures need to be in place to **reflect different career structures** and ensure that senior management is diverse. The measures described in this paper are designed to ensure that talent development and progression is not unfairly constrained, and that hidden or structural biases are tackled. Sometimes it will be necessary to go further and faster by introducing targets and by linking management's remuneration to the meeting of diversity targets.

Gender policies also **extend beyond actions directed at women**. For instance, for shared parental leave to be successful, men also need to assume parental responsibilities. This demonstrates that firms need to instil a culture that challenges assumptions about traditional roles and responsibilities.

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<sup>1</sup> Defined as the difference between the average pay of all women and the average pay of all men, regardless of their role or seniority

The diagram below describes how these measures apply at different phases of the career.

# Gender equality policies applied throughout a career

## Phase 4: Senior management

- Dedicated programmes to identify women for senior roles
- Diverse succession pipelines for key positions
- Concrete targets to achieve balanced representation are used at some firms

## Phase 2 - Junior to mid-level: Training, development and progression

- Gender balanced shortlists at all levels
- Monitoring promotion processes
- Ensuring balanced participation in management programmes
- Developing 'leadership pipelines', sponsors/mentors for high-potential talent
- Management remuneration linked to gender diversity within teams
- Identify female mentors and trainers
- Eliminating unconscious bias when assessing performance

## Phase 3 - Middle management: Catering for different career structures

- Shared parental leave
- Flexible working arrangements to cater for different working patterns
- Dedicated carers' leave
- Schemes to support return to work after career breaks
- Scouting of internal female talent

## Phase 1 - Beginning of the career: Recruitment / entry into a company

- Gender balanced graduate intakes
- Policies and practices to attract more women, including fair play guidelines and using gender neutral language in relevant literature
- Expert guidance for hiring managers on how to manage a gender-neutral hiring process. Removing potential biases in decision-making

It is important to note that these measures are applied to **employees with 'traditional' contracts with employers**. We also need to consider how to ensure that gender equality is promoted for contract staff or non-traditional employment relationships.

In addition to responsibilities towards their own staff, many firms strive to influence through their external actions, such as investment policy. There is a growing demand **for ESG investments** that place an emphasis on embedding gender equality within firms and investors are increasingly using their stewardship role to assist companies in diversifying boards and senior management. The "30% club" is an example of this, which European authorities could support.

Firms may also consider how to factor gender considerations into their products. For example, the European Commission estimates that the **gender pension gap in Europe** is almost double the gender pay gap at 30.1%. This increases the risk of dependency at an older age and poverty among women. There may be a role that insurance companies can play in tailoring products or adapting language specifically towards women, who may not have the same opportunities to save for retirement as men.

## Policy recommendations to promote gender equality in the workplace

Gender equality has long been part of EU policymaking and is currently at the forefront of the EU's attention, which is illustrated by the European Commission's Gender Equality Strategy 2020-2025.

Given the complex causes of gender inequality, EFR members believe that there is scope for increased action to achieve full gender equality in the workplace, particularly through public-private cooperation and increased transparency. As mentioned above, EFR member companies have taken many initiatives to combat different aspects of gender inequality in their respective companies. To enable them to become fully successful in achieving complete gender equality, the following policy action is recommended:

1. Incentivize firms to adopt **effective gender equality measures as part of their work sustainability efforts** by mandating full transparency of HR policies in this area, as part of the **'S' (social) and 'G' (governance) pillar of ESG reporting (upcoming review of the Non-Financial Reporting Directive - NFRD)**. To enable this, HR/gender equality indices should be included in the **further development of the taxonomy legislation with respect to social and governance objectives**.
2. The EU and national governments should support or require private firms to establish public diversity objectives. They should support industry-led initiatives in that field. However, they should refrain from setting targets as each company's specific structure would make across-the-board targets often counter-productive.
3. The European Commission's Joint Research Centre should conduct an empirical study to create a solid basis of **empirical evidence on the different policies to promote gender equality** to form the basis of the taxonomy work and to support firms in their choices.
4. The European Commission should promote **public-private cooperation to foster best-practice sharing** amongst firms, also across regions and sectors. An **EU platform and/or annual conference** to this objective would be helpful and inspiring.
5. **An annual EU-wide dashboard of national gender equality measures** would optimize best practice sharing, foster a level playing field and have an informative function towards citizens and workers as well.
6. **Responding to the Covid-19 crisis**, where female workers were particularly impacted, fiscal policy measures should notably mitigate the income risk of women and support their skilling and reskilling.

With regard to the different aspects of gender (in)equality, such as the gender pay gap or maternity leave, EFR members note that many of these are already addressed by EU law. To complement this, the following policy action is recommended:

7. The gender pay gap is accompanied by a **gender pension gap**, which could be addressed in existing initiatives such as the recently published Ageing Green Paper and, as financial services companies, we believe that there may also be a financial education angle to it, which could be addressed through the CMU Action Plan.
8. The **gender care gap**, rightly mentioned in the European Gender Equality Strategy, could benefit from **increased awareness raising and public-private cooperation to support a societal rethink**.

The upcoming action plan to deliver on the **European Pillar of Social Rights** should include measures to achieve full gender equality in the workplace, taking into account all of the recommendations made above.



The European Financial Services Round Table (EFR) was formed in 2001. The Members of EFR are Chairmen and Chief Executive Officers of international banks or insurers with headquarters in Europe. EFR Members believe that a fully integrated EU financial market, a Single Market with consistent rules and requirements, combined with a strong, stable and competitive European financial services industry will lead to increased choice and better value for all users of financial services across the Member States of the European Union. An open and integrated market reflecting the diversity of banking and insurance business models will support investment and growth, expanding the overall soundness and competitiveness of the European economy.

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