



EFR PAPER ON PROMOTING GENDER EQUALITY IN EUROPEAN BUSINESS

Introduction - Why are we producing this report ?

Europe is one of the world's most advanced economies, home to many world leading businesses. Yet it is also a fact that on average, women earn less than men. As stated in the EU's recent gender equality strategy, the gender pay gap¹ in the EU is 15.7%. The reasons are manifold and complex but while some of the causes extend beyond the workplace, it is logical that it will be one of the central arenas where this issue can be tackled. EFR Members have a clear role to play. We support the EU's policy agenda, including proposing 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.

Promoting gender equality makes commercial and economic sense. 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. The McKinsey Global Institute estimated in 2015 that if countries took realistic steps towards promoting gender parity, this could increase global GDP by as much as \$12 trillion within a decade. The Women Matter report by McKinsey in 2018 found that closing the gender gap could raise Western Europe's annual GDP by \$2.1 trillion by 2025. This suggests that a more equal world will be a more productive and profitable one. Further, reports by the World Economic Forum and McKinsey, among others, have identified correlations between companies with gender diverse leadership and improved business performance. Taken together, gender parity will increase the size of economies but it will be the companies with diverse leaderships who profit the most.

Gender equality policies are often considered to be expensive, difficult to quantify or hard to administer. There is also a lack of information sharing between firms and sectors. This report aims to contribute to the debate by explaining why EFR Members consider gender equality policies to be essential and the different policies that are applied at various stages of a career. The intention is to inform and hopefully provide a guide that other firms or sectors may use.

We hope that this supports a broader dialogue between, and within, public and private sectors about the benefits of certain policies and how to achieve them. This is a substantial task and we believe that there is a role for the European Commission in building up a knowledge base on the value of gender equality, and promoting the sharing of best practice and expertise between the public and private sectors.

The first section of this report discusses gender equality, the causes of inequality and how these manifest in the workplace. The second section provides a review of actions taken by firms. This is not an analysis of the impact of these actions rather a guide to what firms have done to show the different measures that have been taken.

The final section of this report contains a set of recommendations that sets out how the public and private sectors can work together to tackle this challenge.

¹ Defined as the difference between the average pay of all women and the average pay of all men, regardless of their role or seniority.

SECTION 1: GENDER EQUALITY IN THE WORKPLACE



Secretary-General, Mr. António Guterres, 8 March 2019

The United Nations describe gender equality as “*the unfinished business of our time and the greatest human rights challenge in our world.*”

“Gender equality and women’s rights are fundamental to global progress on peace and security, human rights and sustainable development. We can only re-establish trust in institutions, rebuild global solidarity and reap the benefits of diverse perspectives by challenging historic injustices and promoting the rights and dignity of all.”

Why equality matters to business

Equality is not about treating everyone the same, it is about treating people in a way that promotes the same outcome for each person with the same abilities.

Companies have a responsibility to lead the drive towards gender equality. Women make up half the world’s population and no country can afford to forego that talent. Gaps are unfair for those who suffer them and harm society as a whole. They also mean the society – and companies in particular – are not operating at their full potential. As mentioned in the introduction, there is a correlation between diversity within companies and economic success. This is why companies should promote equality throughout their business and consider it an imperative to be diverse and inclusive.

Barriers to gender equality

While the case for equality is clear, addressing the barriers is more complicated, because they take many different forms. They can be rooted in cultures and biases, which are not always widely visible, or they can relate to women’s internal barriers or different visions of gender equalities. Raising awareness of the causes of gender equality is a fundamental first step to addressing the challenge.

Outlined below are the main drivers of gender inequality, looking at culture and biases and women’s internal barriers.

Cultural biases and sexism

Sexist behaviour: Across Europe certain (sexist) behaviour by men, intentional or not, remains a challenge. It makes women feel disrespected even if male colleagues very often do not realize how inappropriate their behaviour is and its impact on women. For instance, according to a survey conducted by the Young Women Trust 63% of HR directors and decision-makers thought sexism still existed in most workplaces, increasing to 76% among female employers (see e.g. [here](#)).

Male and female bias regrading leadership and performance: “a leader thinks male” - historically men and women tend to associate leadership with more masculine traits (dominance, strength, competitiveness, assertiveness, confidence), and by contrast, the same traits in women are not considered as positive. This contributes to women being appointed less to leadership positions.

Perception of female characteristics: Women have historically been associated with vulnerability and weakness, which has had negative implications for their career growth. At the same time, male performance compared to female can be overestimated, especially in industries or jobs considered ‘male-dominated’.

Managing work-life balance: Society’s expectations are not the same regarding responsibilities for raising children, caring duties and running household. Despite initiatives such as shared parental leave, women are still often expected to carry out most of the household, parental and caring responsibilities, making it difficult to maintain a career. Similarly, one of the main barriers to work–life balance is the perception of needing to be present at work for long hours. Flexible working is part of the solution but so is co-responsibility in family and working life.

Motherhood: Despite many initiatives to support different career structures, motherhood can still trigger career breaks that can be difficult to overcome. It can even lead to an assumption that a woman is less committed to her career.

Regarding women's internal barriers:

Lack of self-confidence and of role models: research indicates that women tend to under evaluate themselves and are more likely to blame themselves when they fail and credit external circumstances when they succeed, whereas men tend to do the opposite; women tend to apply for jobs only when they fulfil 100 percent of the requirements. Aside from slowing down career growth, this increases the gender pay gap as women tend to negotiate their salaries less than men. The absence of role models also makes it more difficult to motivate women to advance their careers.

Less networking and less visibility: women tend to spend less time networking than men, they are less likely to consider networking as necessary and they often have less time to do it. For these reasons, corporate environments where networks are very important, can be less favourable to women.

Wider considerations: COVID and changing workplaces

The world has been ravaged by the COVID-19 pandemic. While it provides a rare opportunity for a 'reset' to a fairer world, the reality is that COVID-19 has put women's equality at risk. As recently stated by the International Labour Organization (ILO): *"Some of the "modest progress" made on gender equality over the past decades, will be lost due to COVID-19"*.

Special attention is therefore required in the response to COVID-19 to consider explicitly the impact on women. The two major factors impacting women and work have been:

- **Unpaid care work:** the closure of schools and childcare has further exacerbated the existing disparities in unpaid care work. The increased burden of unpaid care has pushed some women out of the labour force while some mothers are reducing hours or "pausing" careers. In their annual report *Women in the Workplace 2020* McKinsey reports that mothers are three times as likely as fathers to be responsible for most of the household labour and with this they are also disproportionately caring the adding "burden" of childcare during COVID-19. If this trend is sustained, it will have a negative long-term impact on income, savings opportunities and pension contributions.

- **Sector segregation:** women are over-represented in occupations and sectors hit especially hard during the pandemic. The International Labour Organization² [estimates](#) that, globally, about 49.1% of female workers have occupations that are at medium-high risk due to COVID-19. In comparison, the ILO has estimated that 40.4% of employed men are working in such high and medium-high risk sectors. From this [Oxfam](#)³ calculates that if working women were employed at the same rate as men in these sectors, 112 million fewer women would be facing a possible job loss.

Due to the pandemic, workplaces are changing with a movement towards more flexible working. While this appears positive on the surface, it must be accompanied by a reevaluation of current practice to make sure that they are appropriate for an environment where more of the working day might be spent from home and the barrier between work and home-life is less clear. Otherwise, with women mostly being responsible for household labour, more flexible working – blurring the lines between work and leisure time – will have adverse effects especially on women. Measures such as shared parental leave are key along with broader consideration of the impact of changing working practices and a reevaluation of societal prejudices. For instance, while women's share in the labour force increased over the last years indicating progress, COVID-19 revealed society's underlying perception that women are disproportionately responsible for household labour and childcare – at least as a fall-back position (see e.g. McKinsey, 2020).

There will also be a need in the fiscal response to COVID-19 to pay particular attention to women, as recently set out by the President of the European Central Bank, Christine Lagarde⁴. Recovery financing should have particular regard to the uneven impact of COVID-19, for example by ensuring that training for those needing support to return to the workforce is applied evenly across the different sectors that have been impacted by the virus.

² ILO Policy Brief dated June 2020: A gender-responsive employment recovery: Building back fairer

³ OXFAM Report dated 25 January 2021: The Inequality Virus

⁴ EPC conference dated 30 November 2020

SECTION 2: ACTIONS FOR PROMOTING GENDER EQUALITY

In the previous section, we outline some of the causes of gender inequality in the workplace. 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 throughout the career. Different career structures or hidden biases built into promotion pathways, training or remuneration can mean progress made at one level is not necessarily replicated at another. This is most visible in gender pay gaps that can be seen across Europe. Companies have started to systematically assess internal gender pay gaps in order to identify company specific drivers. One common driver across companies, for instance, is the lower proportion of women in senior positions.

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. To start, without a diverse and unbiased talent pool from which women can advance their career, it will be difficult to reach gender equality in senior management. Therefore, companies are focusing on upskilling recruiters to ensure a diverse and bias free recruitment process, installing multi-modular sponsorship programs for women seeking leadership roles and providing guidance through published gender targets as well as actual conditions (e.g. percentage of women in talent pools, management and executive committees). But measures should not stop here as they also need to reflect different career structures, for example the role played in raising children or other caring responsibilities. Finally, measures are needed to ensure that senior management is diverse and companies started to introduce gender targets and their implementation into their internal governance structure. The measures described are designed to ensure that talent development and progression is not unfairly constrained, and that hidden or structural biases are tackled. But sometimes it will be necessary to go further and faster by introducing targets for the composition of senior management, executive committees or boards and by linking management's remuneration to the meeting of diversity targets.

Gender policies also extend beyond actions directed at women. In order for shared parental leave to be successful for example, men also need to assume parental responsibilities. Similarly, for women to return to work, household, parental or caring responsibilities that may typically have been carried out by women, need to be shared. This demonstrates that in addition to a comprehensive package of policies, firms also need to instil a culture that challenges assumptions about traditional roles and responsibilities.

The following diagram 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 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 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 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 are measures that 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 part time work. Some companies insist that all of the firms who provide contractual staff – for example, cleaners, hospitality or maintenance staff- provide have the same minimum standards in contracts, for example paying a living wage or prohibiting the use of "zero-hour contracts". There is an opportunity to go further and embed additional measures that promote gender equality into contracts, such as recognising carers' leave or going beyond statutory requirements for parental leave.

Measurement and transparency

Measurement and transparency are the first building block of gender equality. The absence of measurement and transparency is one of the biggest obstacles to accelerating workplace equality. What gets measured, gets done. Measurements drive leader and organizational behaviour.

The publication of gender pay gaps in some European countries has accelerated action by firms because it is a tool through which they are held accountable every year. It is one of the very few times (if not the only time) when a firm must explain the outcome of its gender policies publicly, albeit through one metric, and how this has changed over time. The European Commission's recent proposal for binding pay transparency is an important step in this direction.

There are many other metrics that would benefit from greater measurement and transparency. This includes:

- Company culture
- Leadership development training
- Recruitment
- Promotion
- Equal pay
- Flexible working
- Succession planning

Various indices and benchmarking frameworks are available, such as EDGE certification⁵. This provides an external assessment of gender equality within a firm and is a valuable tool in developing clear metrics that can be used to identify and track progress towards gender equality. Indices such as this can be part of an effort to increase visibility, awareness and information sharing in the European Union.

Other considerations

In addition to their responsibilities towards their own staff, many firms can influence others through their investment policy. The growing demand for ESG investments, and the forthcoming requirements to disclose ESG considerations, has increased demand for investments that place an emphasis on embedding gender equality. Beyond greater investment demand, investors are increasingly using their role as stewards to assist companies in diversifying their boards and senior management teams. The "30% club" is an example of this, which European authorities could support.

Firms can 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.

Conclusion

As outlined, multiple initiatives are needed to offer equal opportunities for men and women and to reach gender equality in the workplace. While it is still difficult to prove the impact of each practice via a business case, research has shown that companies that offer a wide range of practices and policies for greater gender equality perform better in their business sector, are more attractive for prospective talent and get higher employee engagement (measured via internal surveys for example).

As policymakers seek to build back better a stronger, more sustainable economy, incorporating equality into business practice is essential. In the following section, we set out the implications for policymakers and our recommendations.

⁵ www.edge-cert.org

SECTION 3: POLICY ACTION TO PROMOTE GENDER EQUALITY IN THE WORKPLACE

Having looked at how firms are promoting gender equality in the workplace through different measures, it raises the question of how much EU policy action is necessary to support and/or complement firms' efforts. In fact, gender equality has long been part of EU policymaking and is at the forefront of the current European Commission's attention.

In this section we outline the EU regulatory and policy landscape with regard to gender equality, bearing in mind that these measures are complemented by a range of different policies and regulations in the individual Member States, and provide recommendations as to what, in our view, EU policymakers could do on top of that to ensure gender equality.

3.1 Overview of EU policies and regulations

At the forefront of recent EU policy action in the area of gender equality is the European Commission's Gender Equality Strategy 2020-2025, which was published on 5 March 2020. The Strategy is a commitment from the European Commission to achieving a Union of Equality. Key objectives are ending gender-based violence; challenging gender stereotypes; closing gender gaps in the labour market; achieving equal participation across different sectors of the economy; addressing the gender pay and pension gaps; closing the gender care gap and achieving gender balance in decision-making and in politics. It also includes the announcement of a proposal for binding measures on equal pay.

3.2 Policy recommendations

To complement the policy landscape as described above, EFR members believe that there is scope for increased action to achieve full gender equality in the workplace, in particular through public-private cooperation and increased transparency. In general, EFR member companies are in favour of regulatory policy which incentivises behavioural change, instead of prescribing a one-size-fits-all approach. As mentioned in the previous section, EFR member firms have taken many initiatives to combat gender inequality remaining in their respective firms.

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**. Transparency around HR policies would also assist investors in their ESG investment efforts and insurance companies in their underwriting practices for the purpose of supporting the transition to a more sustainable economy;
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. There is sufficient evidence showing the positive effect of gender equality on the economy, but firms struggle to define which actions are most effective to ensure gender equality, as there is a lack of data on the economic impact of each measure and which (combination of) measure(s) has which effect. The absence of an evidence base is holding back wider uptake of gender policies by businesses across Europe;
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. With workers nowadays changing employers more frequently, it becomes even more important to all to inspire firms of all sectors to take action and support female talent to achieve equivalent career development. Also, promoting cross-sector uptake of gender policies benefits the transitioning towards a more (work) sustainable economy;

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**. Even with gender-neutral parental leave and flex-work rights, and company policies in line with this, it probably needs a continued, joint effort of the EU, its Member States and firms to shift public perception towards an even distribution of care responsibilities.

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.