Improving gender balance in finance

Diverse perspectives enhance decision-making

by Kat Usita in London

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The eruption of sexual abuse allegations in Hollywood and exposure of misconduct in Westminster highlight the need for greater female presence in sectors that men have traditionally dominated. Improving gender balance in business is one way to curb misogynistic practices, and can enhance decision-making by diversifying perspectives.

OMFIF’s Gender Balance Index draws attention to the absence of women in senior roles in central banks and, beginning next year, public pension funds and sovereign funds. Based on this year's report, only 12 have female governors. When considering deputy governors as well, just 47 have a female presence in the top positions. The numbers match those in business: only seven FTSE 100 companies and 28 S&P 500 companies are headed by women. Among the latter, just 26.5% of senior executives are female.

When scores for central banks in the GBI are aggregated, the global figure for gender balance is 30.6%. However, scores are weighted by GDP and thus helped to a great extent by Janet Yellen's chairmanship of the US Federal Reserve. Next year's score will fall significantly when Yellen cedes the role to Jerome Powell.

The stark imbalance reflects two things: first, men have controlled banking and finance for too long; second, even as more women enter the sector, too few rise to the top. Female leaders like Christine Lagarde, head of the International Monetary Fund, have called attention to this, famously saying that the 2008 financial crisis might have been averted if Lehman Brothers had been Lehman Sisters instead. Incidentally, her own appointment to IMF chief was prompted by former Managing Director Dominique Strauss Kahn's resignation over a sexual assault scandal.

The consequences of gender imbalance are wide ranging. Financial institutions miss out on talent when they are unable to recruit qualified women and support the progression of their careers. They risk losing capable staff when they fail to foster a working environment where women feel respected and valued in the same way as their male peers.

Female presence, especially in senior positions, combats workplace misogyny. It enshrines in corporate philosophies the idea that women and men can perform the same roles despite long-standing perceptions claiming otherwise. It likewise breaks the mentality that only men wield power within organisations. Sexual harassment victims are unlikely to report abuse if they feel vulnerable and inferior. For a woman (or a man) to feel safe about speaking out, it is important to build a fair system to handle complaints and to ensure reporting abuse does not jeopardise jobs or career prospects. Greater female presence among management and senior staff builds a better sense of balance and fairness.

Meritocracy is the frequently used argument against policies that actively promote gender balance. High-profile appointments to central banks and public investment funds seem too important to be constrained by some ideal gender criterion. Such thinking misses the point. Supporting the rise of women to the top does not compromise merit-based selection, but rather bolsters it. Having a robust pool of candidates requires ensuring that no qualified individuals are left out. This includes women who might have left the competition simply because they feel the rules are stacked against them.

Targeting gender balance is not just about fulfilling a token corporate goal. Increased female representation and visibility help develop a workplace culture that respects and values every individual. Only in that environment can organisations attract and retain competent women. If companies and institutions miss out on female skills and capabilities, everyone will be the loser.

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*The GBI tracks the presence of men and women among senior staff of central banks, weighted by level of seniority. A score of 100% on the GBI means that an institution has a perfectly balanced leadership team. The global score is the average of score of all central banks weighted by GDP.