



Driving diversity

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IN PARTNERSHIP WITH



Lifting barriers to women's economic empowerment

CATHERINE COLONNA, Ambassador of France to the United Kingdom

DESPITE encouraging language and awareness-raising, gender equality remains a challenging goal for policy-makers and businesses. French President Emmanuel Macron has made the fight against gender discrimination one of the pillars of his mandate and given gender equality the status of 'national cause'.

There is a long way to go to remove the cultural, economic, social and psychological barriers to women's economic and professional empowerment. In France, although a law on professional equality was adopted 45 years ago, there is still a gender pay gap. It is, however, shrinking. On average, women in similar jobs to men earn 9% less, and 25% less over the course of their careers. In 2018, firms were given three years to close this gap. They are monitored closely to ensure they complied with this new obligation.

French law requires 40% of boards to be made up of women. All companies comply with this obligation, and at 14 firms listed on the CAC 40, at least 50% of directors are women. However, few are appointed to executive functions.

The design and budgeting of public policies must take gender issues into account. France's 2020 budget dedicates €1bn to gender equality. There are plans to put in place gender budgeting, whereby the impact



of financial decisions on gender equality will have to be assessed. It is important to promote concrete actions with positive results. An 'equality' label has been launched to reward public organisations, ministries and councils which have taken concrete actions to address the gender pay gap. Rather than further evidence of France's appetite for legal texts and bureaucratic procedures, these new legislative requirements are an effort to drive cultural change.

Women's empowerment at all levels of responsibility, in every field, should be regarded as an achievement. It can contribute to society's development, and to a fairer economic, financial and social environment worldwide. ♦

'Women's empowerment at all levels of responsibility, in every field, should be regarded as an achievement.'



Taking public responsibility

JOHN ORCHARD, Chief Executive Officer, OMFIF

THE state regulates the labour market, but also dominates it as an employer in most countries. Regulation can only do so much to change behaviour; culture is more effective, though of course the two interact. As regulator and employer, the state has the privilege and responsibility to influence both.

Public institutions such as central banks, sovereign funds and public pension funds have a particularly important role to lead by example. They interact heavily with the private sector, including financial services, which they supervise and are notoriously unequal at the expense of female employees. Central bankers operate increasingly in the public eye, and hold real economic power. They should strive to do better.

OMFIF's seventh Gender Balance Index takes stock of the progress being made in these critical public institutions, whom we polled directly. Our summary finding is this: slow, in the right direction. The European Central Bank may now have a female president, but one in five central banks has no women in senior positions. While the Kuwait Investment Authority is now chaired by a woman, our index score for sovereign funds in North America, the best-performing region, has gone backwards. In addition to these important – and mixed – trends, we review the framework of policies and practices that enable better participation of women in the workforce. Our contributors reveal a wide and heartening range of effective tools already deployed to do this, from better facilitation of flexible working, to more



thoughtful management of selection processes. They restate over and again that, morality aside, the empirical case for diversity as a driver for performance is unanswerable. The OMFIF research team would hope to measure further progress next year, perhaps with more velocity. ♦

'Morality aside, the empirical case for diversity as a driver for performance is unanswerable.'

Market failure needs policy solutions

LACK of gender diversity in financial institutions is a persistent problem, but things will not change without modern, progressive policies. Action is needed to correct opportunity asymmetries and level the playing field, and create more inclusive and supportive work environments for women who have been historically underrepresented in finance and economics.

The OMFIF Gender Balance Index tracks the presence of men and women in decision-making positions in central banks, sovereign funds and public pension funds. Each year, we report on how these institutions are performing when it comes to gender balance, highlighting notable appointments and changes in leadership that impact the index.

This year, we go a step further. We present findings from a survey of 46 institutions consisting of 44 central banks and two multilateral organisations with functions related to financial stability. The first global study of its kind, this investigates what measures they have in place to help correct gender imbalance and promote diversity and inclusion. We explore their selection processes, mentorship programmes and support for progression. We also look at their policies on harassment, maternity and paternity leave, and childcare. We have consolidated best practices that other financial institutions can learn from.

The report features insightful contributions from policy-makers and practitioners from central banking, public investment institutions and the private sector. They give perspective on how diversity benefits their organisation and what practices can be adopted to pursue gender balance, and share insights from their own career journeys.

Methodology

The OMFIF Gender Balance Index scores institutions based on gender balance among senior staff, weighted by seniority. Governors and chief executives are given the highest weights. Members of executive teams receive higher weights than those in non-executive roles, such as members of monetary policy committees.

The score for each institution is calculated by taking the ratio of the female and male components. Global and regional scores for central banks are weighted by corresponding countries' GDP. The country, regional and global GBI score for pension funds and sovereign funds are weighted by the value of these institutions' assets under management.

This report finds that:

GENDER balance in central banks has improved for the second year in a row, but the global score remains disappointing at 27.5 (a score of 100 means perfect balance).

SPAIN tops this year's index with a score of 92, followed by Aruba, Iceland and Malaysia.

ASIA PACIFIC's score improved the most for central banks, moving up to 12.3 from 9 last year. Europe remains the best-performing region with a score of 37.3.

OUT of 173 central banks, 78 saw an improvement in their score, suggesting that more women are being promoted to executive roles or appointed to boards.

STILL, one in five central banks has no women in senior positions.

BALANCE is worse at higher levels of seniority. Only 14 central banks are headed by women.

A quarter of respondents have a policy of shortlisting candidates of both genders for vacancies in senior management positions. More than half (54%) of central banks have implemented a gender diversity programme that encourages the upward progression of women. For some respondents, this includes mentorship and leadership trainings specifically for women.

DIVERSITY is important in decision-making, but only 15% of central banks reserve seats for women on their board of directors or monetary policy boards.

ALL respondents have some form of maternity leave in place, with 35% going above and beyond the minimum legal requirement. The majority of respondents (63%) offer between three to six months of paid leave. Almost all respondents have a paternity policy in place, but nearly half (41%) grant only one to two weeks of leave.

SOVEREIGN funds' management and boards remain very imbalanced, although they show improvement similar to central banks. The overall score increased marginally to 19.5. Only eight out of 72 funds are headed by women, unchanged from last year. North America is the best-performing region, but lowest-scoring Middle East made the biggest leap.

EUROPEAN public pension funds perform the best and improved the most among the three institution types. The overall score increased 12% to 46.3 from 41.3 the previous year. The number of female-led funds rose to 36 from 31. Nordic countries did well, with Iceland and Norway topping the list.

+11%
Global score
rises to 27.5
from 24.8

Slow progress

Central banks' global score improves for the second year in a row, but gender balance is still a long way off, with no women in senior positions at one in five institutions.

DIVERSITY in governance can bring various benefits. Some are obvious, direct and immediate. It helps ensure that a range of views informs decision-making and risk-management when formulating policy. Others can take longer to materialise. The inclusion of previously underrepresented groups in leadership can inspire others to progress, encouraging competition. Diversity in the existing workforce can help expand the talent pool, encouraging people from minority groups to apply for positions they may not otherwise have considered. For public sector institutions like central banks, this is particularly important in the light of their social duty to resemble the society they serve.

Encouragingly, our Gender Balance Index for central banks improves for the second year in a row, rising to 27.5 from 24.8. This value represents the aggregate performance of individual institutions, whose scores are weighted against the corresponding economy's share of global GDP. A score of 100 would represent perfect balance.

There is weak correlation between the size of an economy and its performance on the GBI when looking at the world's largest economies. Among the 10 biggest, scores vary from a range of 30-50 for the US, France, Germany, UK and Canada, to below 3 for China and Japan. The top scorers are a mix of small and large economies. Spain tops this year's index with a score of 92, followed by Aruba and Iceland, both scoring above 90. Spain and Aruba are two of only 12 central banks to have a positive female bias, missing out on a perfectly balanced score because of an overrepresentation of women in top positions.

Gender Balance Index score, top 20 central banks 2020

Rank		Score	GDP \$bn
1	SPAIN	92 ▲	1,539.53
2	ARUBA	91 ▲	2.58
3	ICELAND	90 ▼	18.42
4	MALAYSIA	89 ▲	382.13
5	RWANDA	88 ◀	10.14
6	LESOTHO	85 ▲	2.98
7	CAYMAN ISLANDS	84 ▲	4.84
8	SERBIA	82 ▲	48.08
8	BULGARIA	82 ◀	60.77
10	SAMOA	81 ▲	0.74
10	TRINIDAD AND TOBAGO	81 ▲	21.07
12	BELIZE	79 ▲	1.63
13	NAMIBIA	77 ▲	14.80
14	CUBA	76 ▲	77.29
14	SAN MARINO	74 ▲	1.63
16	TUNISIA	73 ▼	50.90
17	SEYCHELLES	69 ▼	1.39
18	ESWATINI	69 ▲	5.42
19	ALBANIA	67 ▼	14.56
19	NORWAY	67 ▲	489.33

Source: OMFIF analysis, World Bank

One in five central banks has no women in senior positions

GBI research is based on publicly available information on the gender of 2,501 individuals across 173 institutions. They are the people at the very top levels: governors, deputy governors, members of monetary policy setting committees and executive board directors. The exact composition and methodology of inclusion vary on the specific institutional make-up of each central bank, but on average we look at around 10 to 15 individuals per institution.

Worryingly, one in five central banks still have no women at this level of seniority. This is particularly a challenge for central banks in Asia Pacific and the Middle East. Out of 35 central banks that have no women in senior positions, nine are from Asia Pacific and nine from the Middle East. For the Middle East this represents more than half of the region’s central banks. Seven are from Europe, including two from the euro area (Belgium and Slovakia), and five each are from Africa and Latin America Caribbean. This represents the bottom of the pyramid, and balance tends to get even worse at yet higher levels of seniority.

Only 14 institutions are headed by a

woman, unchanged from last year. They represent less than 30% of the global economy (4% if the European Central Bank is excluded). Chrystalla Georghadji was the only woman in charge of a euro area central bank before stepping down in April 2019. She was replaced by Constantinos Herodotou, a man. Later that year, Christine Lagarde took the helm of the ECB, bringing the total back to 14. However, this had no impact on the overall score, as the ECB is excluded from the calculation of the global total.

Instead, the overall improvement in this year’s GBI score reflects mostly the progression of women within senior positions in central banks, as well as the appointment of more women to deputy governor positions. Isabel Schnabel joined the ECB’s executive board, Fundi Tshazibana became deputy governor of the South African Reserve Bank, and Fernanda Nechio was appointed deputy governor of the Banco Central do Brasil. Other central banks that appointed women to deputy governor positions over the past year include Estonia, Liberia, Lithuania and Eswatini. This raised the number of central banks with at least one woman at deputy governor position to 61 (from 56 last year), while the number of female deputy governors globally rose to 75 (from 68 previously).

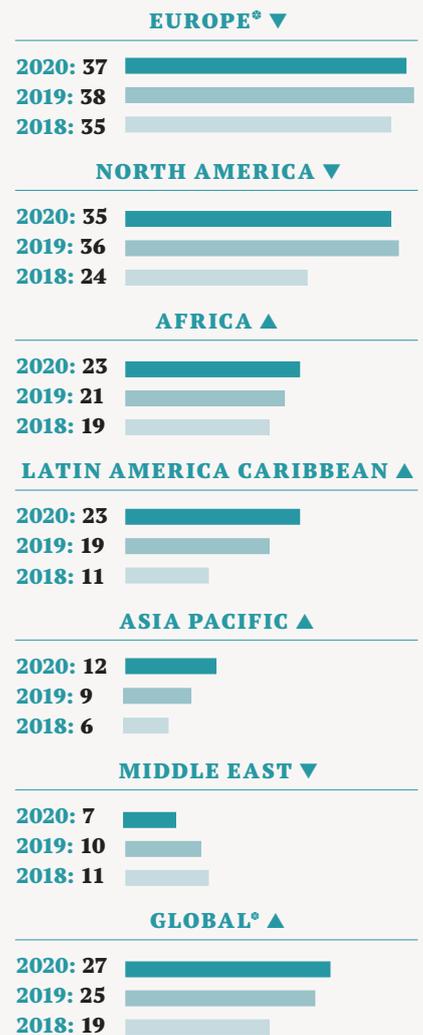
Europe maintains top score, Africa and Asia see big improvements

Out of 173 central banks, 78 see an improvement in their scores (14 of which scored 0 last year). The scores of 44 central banks remain unchanged, while those of 51 banks declined.

Asia Pacific’s regional score improves the most to 12.3, up from 9 last year and 6 in 2018. Declines in Australia (to 55 from 79) and New Zealand (to 26 from 50) are more than offset by substantial →

Central banks gender balance index score

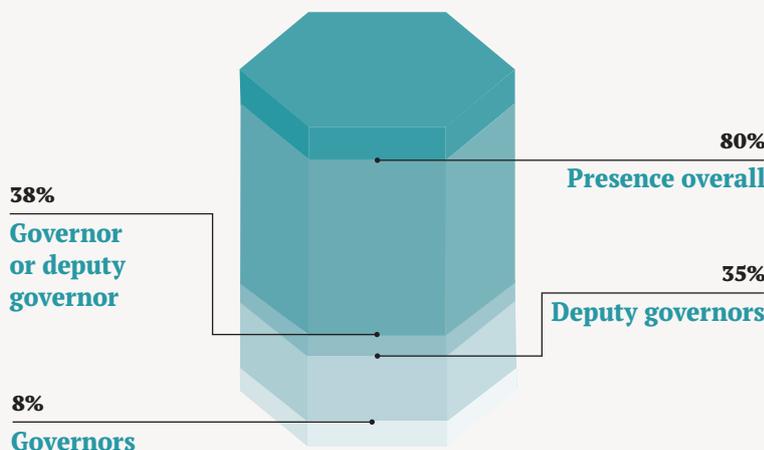
*by region, 2018 v 2019 v 2020.
Region scores (weighted by GDP)*



*Calculation excludes the ECB

Source: OMFIF analysis

Central banks with percentage of female...



Source: OMFIF analysis

improvements in Korea and India, as well as in Indonesia and Malaysia.

Latin America Caribbean also improves its score, to 23.1 from 19. The region is home to six of the world's 20 best performing scorers. Island economies in the Caribbean perform particularly well. Africa scores only marginally better than Latin America, with 23.3. Eleven of the top 20 most improved central banks this year are from Africa: Mozambique, Sierra Leone, Swaziland, Ivory Coast, Senegal, Mali, Burkina Faso, Benin, Niger, Togo and Guinea-Bissau all more than double their score. Half of the 14 central banks whose score rose from 0 last year are from Africa.

Europe remains the best-performing region with a score of 37.3. Economies from the former Soviet Union and the Balkan region score particularly well. The world's 14 woman-led central banks include those of Russia, Serbia and North Macedonia. Bulgaria and Albania are among the top 20 scorers, and Latvia, Estonia, Bosnia and Croatia also earn high marks. The Nordics, too, perform well; Iceland, Norway and Sweden all score upwards of 60 while Denmark and Finland both earn more than 40, above the European and global averages.

Several central banks in Europe more than double their score including Turkey, the Netherlands, Estonia and Greece, with Germany and Poland also improving considerably. Still, Europe's overall score declines. In addition to Chrystalla Georghadji, the Eurosystem lost Banco de Portugal Deputy Governor Elisa Ferreira, who became European commissioner for cohesion and reforms. Belgium and Romania saw their scores halve, with Malta and Hungary's also dropping.

North America's score slips marginally, reflecting the end of Lynn Patterson's term as deputy governor of the Bank of Canada. The Middle East's score falls for the third year in a row, this time to 7 from 10. It takes over from Asia as the world's worst-scoring region. Nine out of 14 Middle Eastern central banks earn a score of 0, unchanged from last year. Israel is an important outlier in the region, scoring 60 and ranking 25th globally.

Female central bank governors

by length of service

Cindy Scotland

Managing Director, Cayman Islands Monetary Authority (since June 2002)

Jeanette Semeleer

Governor, Central Bank of Aruba (Sept 2008)

Maiava Ainiu-Enari

Governor, Central Bank of Samoa (Aug 2011)

Retselisitsoe Matlanyane

Governor, Central Bank of Lesotho (Jan 2012)

Caroline Abel

Governor, Central Bank of Seychelles (Mar 2012)

Jorgovanka Tabaković

Governor, National Bank of Serbia (Aug 2012)

Elvira Nabiullina

Governor, Central Bank of Russia (June 2013)

Joy Grant

Governor, Central Bank of Belize (Oct 2016)

Verónica Artola Jarrín

General Manager, Central Bank of Ecuador (May 2017)

Irma Margarita Martínez Castrillón

Minister President, Central Bank of Cuba (June 2017)

Anita Angelovska Bezhoska

Governor, National Bank of North Macedonia (May 2018)

Catia Tomasetti

Chairman, Central Bank of the Republic of San Marino (May 2018)

Datuk Nor Shamsiah binti Mohd Yunus

Governor, Bank Negara Malaysia (July 2018)

Christine Lagarde

President, European Central Bank (Nov 2019)

Source: OMFIF analysis

Women on top

The premise of this research, now in its seventh year, has always been to focus on senior levels because what happens at the top matters. Women in visible, senior positions can serve as role models, demonstrating that successful careers are possible in traditionally male-dominated institutions. Attracting more to the field also enables organisations to benefit from a wider pool from which to hire, regardless of gender.

In that respect, 2019 was a landmark year. Christine Lagarde's nomination to the ECB top job coincided with the appointment of Ursula von der Leyen as European Commission president, the European Union's top political post.



Alongside German Chancellor Angela Merkel – Europe's de facto political leader – they form a triangle of female power at the heart of Europe. All three have been the first ever women to occupy their posts.

This builds on wider improvements for women in the international economic and financial policy-making sector. Three of the world's major international financial institutions have female chief economists: Gita Gopinath at the International Monetary Fund, Beata Javorcik at the European Bank for Reconstruction and Development, and Laurence Boone at the Organisation for Economic Co-operation and Development. The World Bank's Penny Goldberg stepped down on 1 March. A woman still leads the IMF, with Kristalina Georgieva having taken over from Lagarde.

Such appointments are helping to highlight the need for diversity and

foster a culture in which it is considered imperative. But it is not always achieved. The Bank of England hired diversity specialists to replace Governor Mark Carney, whose term ends in March. Yet out of 23 applicants, only two were women and the post went to Financial Conduct Authority chief Andrew Bailey. In Ireland, Sharon Donnery, deputy governor of the country’s central bank, was overlooked for promotion to the top post upon Governor Philip Lane’s move to the ECB. Instead, the role went to Gabriel Makhoulf.



Ireland is not an isolated case. The Eurosystem remains largely unbalanced, with Lagarde’s appointment to the ECB contrasting starkly and visibly with the 19 male national central bank governors. A common response to the criticism of lack of gender diversity in central banks is that there is little the institutions themselves can do to correct the imbalance, as governors and others at the top tend to be appointed by national governments. But there are systemic obstacles to change that require a shift in mindset when it comes to the selection process.

It’s the team, stupid

The benefits of diversity and the notion that men and women can be equally effective policy-makers are largely accepted. And yet, as this report shows, institutions still fail to achieve diversity.

This is partly for historical reasons. The dearth of past opportunities for women in central banking means that all too often, male candidates to a senior position have greater experience. This can mean that in a straight ‘blind to gender’ process, the best person is a man.

Perhaps the selection process needs to change. This is not a call for reverse discrimination. Insisting on all-women selection lists or favouring a less qualified woman over a better qualified man can prove problematic on many levels. But it is legitimate to remind recruiters that a central bank is a team, and that they are not just picking ‘the best individuals, taken one by one in isolation’, but the best combination of minds. ♦

DANAE KYRIAKOPOULOU, Chief Economist and Director of Research at OMFIF. Research assistance provided by Afroditia Argyropoulou, HR Assistant at OMFIF.

Bank of England

Chancellor hires diversity specialists to find new Bank governor

The Guardian, April 2019

Bank of England

Only two women applied for Bank of England governor role

The Guardian, February 2019

The Daily Show

“If Lehman Brothers was Lehman Brothers and Sisters, maybe they would have done a little bit better.”

Christine @Lagarde breaks down the numbers to explain why equal pay for women and men is so important. Full interview: bit.ly/2G9cYHA

Isabel Schnabel @Isabel_Schnabel - 13 Aug 2019

Interesting interview with a fascinating woman (in German): „... young women still think they can do it all by themselves. They reject quotas. Only later when they understand the system ... they change their attitudes. The same happened to me“ (and to me as well).

Isabel Schnabel @Isabel_Schnabel - 13 Aug 2019

„9 Jahren wie auch heute denken junge Frauen, sie schaffen das ... Eine Quote lehnen sie ab. Aber erst wenn man älter ist und ... wie das System funktioniert, ändert sich diese Einstellung, das genauso.“ editionf.com/Jutta-Almend...

Isabel Schnabel @Isabel_Schnabel - 21 Sep 2019

Great interview in FAZ of @maja_branko with one of Germany’s greatest female economists, Nicola Fuchs-Schündeln (in German): Implicit discrimination matters in academia, men have to take an equal share in childcare. 1/2

Im Gespräch: Die Ökonomin Nicola Fuchs-Schündeln

„Frauen möchte jungen Frauen Mut machen“

Die Vereinigung der Volkswirte trifft sich gerade in Leipzig und debattiert auch über Gleichberechtigung. Deren Vorsitzende ...

grund rücken und bereits im Titel mehr in ihrem Obdacht des Artikels über die ... Privatsphäre ...

... machen. Dann werden Wissenschaftler ...

... handelt als die Männer in diesem Beruf.

... Was man sich über ...

...

European Union

Christine Lagarde and Ursula von der Leyen: meet the EU’s next leaders

Financial Times, July 2019

Economics

Brainard Says Fed Faces ‘Large Challenge’ to Become More Diverse

Bloomberg, January 2020

Economics

Lagarde Is First Woman to Lead ECB But Men Rule Rest of Eurozone

Bloomberg, July 2019

The New York Times

In Tense Times, ‘Call in the Woman’

New York Times, July 2019



The Gender Balance Index survey 2020

A practical guide to diversity

For seven years, the OMFIF Gender Balance Index has highlighted how too few women are leading central banks. This year, for the first time, we asked central banks what they are doing to change this.

THERE IS no single solution to correct the gender imbalance in the leadership of central banks. Instead, it requires a comprehensive approach that looks at all stages of career progression and the barriers that women face throughout. Saying that a problem exists is insufficient; identifying solutions and comparing practices can show the way forward.

OMFIF undertook the first GBI survey to investigate what policies central banks have in place to promote the hiring, retention and upwards progression of women within their ranks. We received responses from 46 institutions consisting of 44 central banks and two multilateral organisations with functions related to financial stability. Institutions from Africa, Asia Pacific, Europe, Latin America and North America participated, providing a global perspective.

The survey findings, presented in this section of the report, serve as a practical guidebook for central banks and other organisations aiming to improve gender diversity. The survey gives insight into best practices, how they are implemented and what gaps remain. Central bankers can review the findings and compare how their institutions fare relative to their peers. More importantly, they can draw inspiration from noteworthy policies that are spotlighted in each set of findings.

As regulators and supervisors of other financial institutions, central banks can demonstrate how gender balance can be achieved through setting more supportive and inclusive policies for their employees. By raising the bar and leading by example, they can influence other actors in the financial industry to adopt similar strategies. It is imperative that central banks do well in promoting

gender balance.

The global central banking community, through OMFIF and other forums, has always relied on dynamic exchanges of ideas to overcome challenges and reach collective success. The GBI survey is OMFIF's latest expansion of this mission.

Taking gender balance seriously

In most cases, responses to the GBI survey were provided by officers in charge of human resources. In others, they were given by individuals tasked specifically to look after diversity and inclusion.

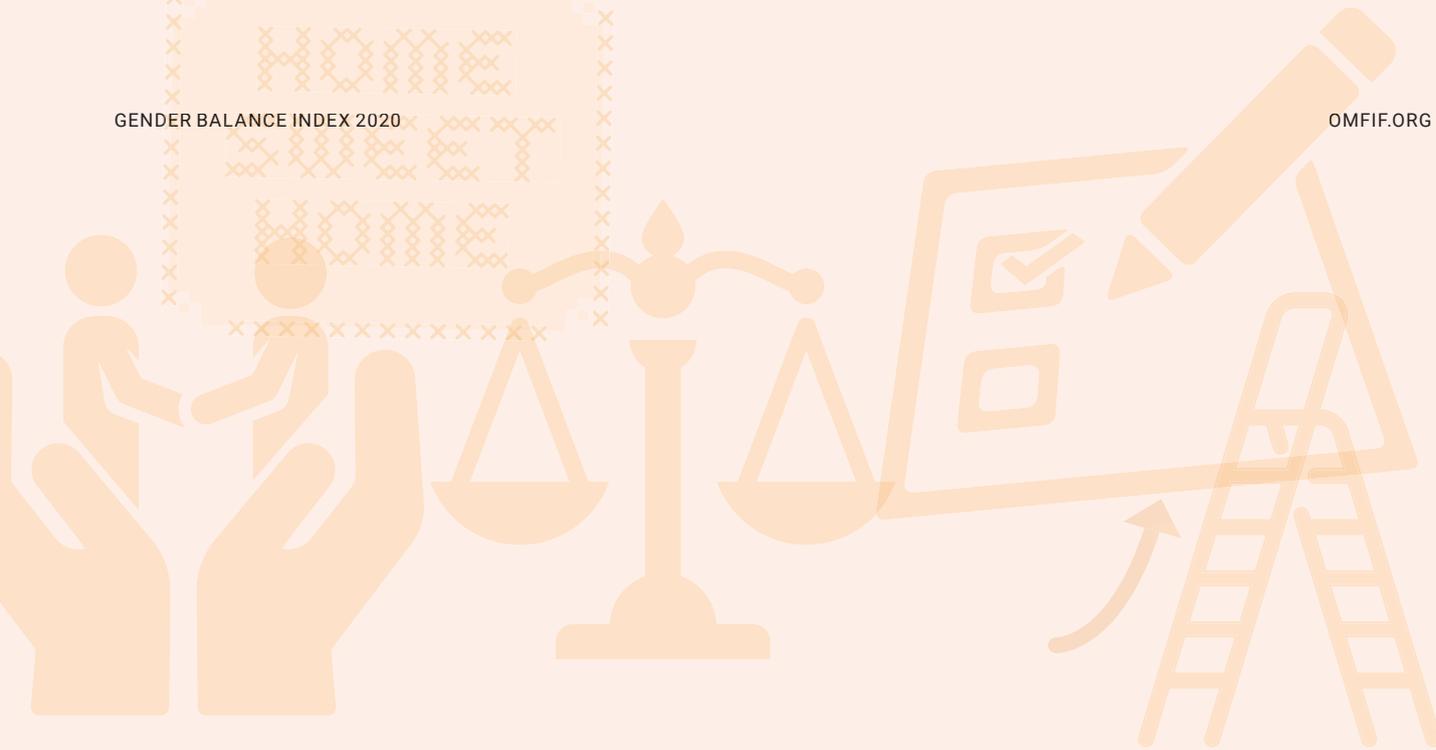
An important part of committing to gender diversity is ensuring that someone within the central bank can hold the institution accountable for its actions. This could be a diversity officer or committee, or even a separate office of its own.

Individuals in these roles can set objectives, identify problems and formulate solutions. They also help measure the success of diversity programmes and monitor their continuous implementation. Achieving gender balance is a long-term project that requires investing resources in the people and tools necessary to reach the organisation's goals.

When asked if they have assigned someone to matters regarding gender, diversity and inclusion, half of respondents said that they do, although about one-third were performing these functions in an informal capacity. Assigning an officer or a team dedicated to diversity suggests that the central bank recognises the need to be proactive and takes its responsibility in the matter seriously.

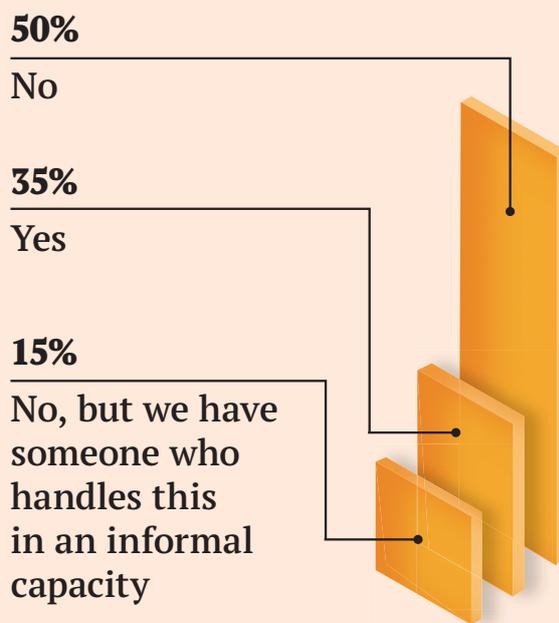
If central banks lack the internal expertise to handle diversity and inclusion initiatives, they

‘Central bankers can review the findings and compare how their institutions fare relative to their peers. More importantly, they can draw inspiration from noteworthy policies that are spotlighted in each set of findings.’



Half of central banks have no diversity officer

Do you have an executive and/or staff member who is explicitly (i.e. reflected in title and/or job description) assigned to matters regarding gender, diversity and inclusion?



‘As regulators and supervisors of other financial institutions, central banks can demonstrate how gender balance can be achieved through setting more supportive and inclusive policies for their employees. By raising the bar and leading by example, they can influence other actors in the financial industry to adopt similar strategies.’

have the option to engage external advisers, as some respondents do. It is also useful to have an executive sponsor who can help consolidate internal support for initiatives, drive momentum for them and ensure that they are considered in top-level decision-making. Among respondents who have one, the executive sponsor is either the governor, a deputy governor or another senior official.

Assigning this responsibility to a less senior member of staff can also be effective. Middle managers, for example, may be more aware of the day-to-day challenges of most employees,

especially those who face struggles that senior executives may be less familiar with. Central banks can take any of these approaches or a combination of them. Upon doing so, they would be expressing a firm commitment to advance diversity initiatives.

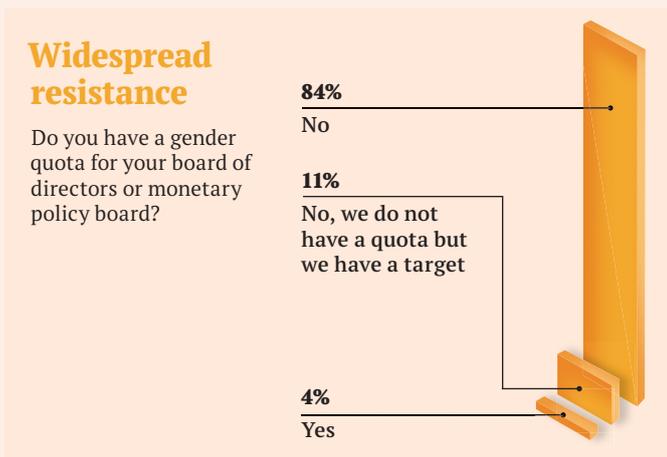
Such initiatives are presented in this report, accompanied by insights from central bankers and economists weighing in on different aspects of gender balance in their institutions.

OMFIF thanks the 46 institutions who participated in the inaugural edition of the GBI survey. We hope to continue the conversation in coming years. ♦

FINDING 1:

No fast way to the top

In finance, like in many other sectors, women are much less likely to occupy senior management posts than men. Quotas are increasingly used to speed up gender balance in the public and private sectors, but they remain a rarity in central banking.



WOMEN across the world are seeing more and more opportunities open to them. We are making good progress towards gender balance when it comes to schools, universities and labour market participation in most jurisdictions. But almost universally, equality is pyramid-shaped. Whether in politics, business, or – as this report shows – central banking, women fail to reach the top.

Gender quotas are increasingly used as a tool to speed up progress in both public and private sectors. Political parties across the world, from Spain to Australia, have quotas for candidates they run in elections. Brazil, Mexico, Finland and India all have varieties of gender quotas for legislative and local government positions. Iceland, Norway, France, the Netherlands, Italy and Belgium have introduced gender quotas for corporate boards.

But in central banking, quotas are still a rarity. Most of our sample (84%) report that they do not have gender quotas in place for senior management positions, such as on the board of directors or monetary policy board. Only two institutions in our sample of 46 have quotas in place. Some – mostly European – organisations said that while they do not have a quota, they have a target, in most cases that one-third of positions should be filled by women.

The resistance against quotas is twofold. For the selector, there is an aversion to limiting the pool from which they can choose, and they want to protect their ability to choose the best candidate. For the potential beneficiaries, they want to be selected on merit alone. These are valid arguments in theory and will, we hope, one day apply in practice. Until then, the pool from which to choose is limited anyway, because women who are not realising their potential are

not part of it. This means selection on merit will continue to favour men. This cycle will continue unless structural barriers that harm women's chances are removed.

In the absence of quotas, progress requires achieving a change in culture. New policies that support women's progress need to be introduced and implemented. These can take a long time to show effect, but small steps can make a big difference. One respondent to our survey highlighted that while there are no quotas or targets, the central bank ensures that 'the recruiting panels for manager positions are composed by 50% female recruiters'. This can help remove unconscious bias from selection panels and increase chances that gender diversity is considered, even if there are no mandatory quotas to enforce it.

Spotlight 1

France's 2012 Sauvadet law introduced a gradual quota for the appointment of women to senior management positions in the public sector. In the case of the Banque de France, this applies to the Conseil Général. Currently the CG is made up of the governor (male), two deputy governors (one male, one female) and eight other members (four of each gender). The Banque de France has scored above the global and European average in all years in which we have prepared the Gender Balance Index.

Spotlight 2

In June 2019, Article 41 of the Mexican constitution was reformed to establish that the Banco de México has to comply with the gender parity principle when appointing the members of its governing board. ♦



**CAROLYN
WILKINS**

Senior Deputy
Governor, Bank
of Canada

Real-world engagement

For central bankers, ensuring a meaningful voice at the table for people of diverse identities means richer discussions and better outcomes.

THE case for diversity and inclusion in central banks is clear. As public institutions, they need to better reflect the societies they serve. Doing so reinforces their credibility and enhances their legitimacy. Central bank leaders recognise that welcoming diverse views at the table leads to improved policy outcomes. Economist John Maynard Keynes got it exactly right when he said, ‘It is astonishing what foolish things one can temporarily believe if one thinks too long alone, particularly in economics.’

There are two examples at the Bank of Canada that illustrate perfectly the benefits of diversity and inclusion for policy-makers.

First, several central banks have embarked on strategic reviews of their policy frameworks. These require taking into account lessons from the 2008 financial crisis and its aftermath, and the seismic shifts taking place in these institutions’ economies and broader societies.

The Bank of Canada has undertaken such reviews every five years since it implemented inflation targeting nearly 30 years ago. Our current review culminates in 2021. It consists of a side-by-side comparison of inflation targeting against alternative frameworks. We are also strengthening our monetary policy toolkit and studying the interactions among monetary, macroprudential and fiscal policies.

An ambitious review requires inclusive consultations. It shouldn’t be too technical, excessively academic, or appear irrelevant to a broad set of stakeholders. After all, our policies affect everyone in our society.

With that in mind, we are engaging with a much wider range of interests, from students to seniors, from poverty advocates to labour representatives. Their input is already impacting our work.

Understanding diverse needs

We have added an area of research that is, in many ways, elemental – seeking to better

understand how different segments of society perceive the dynamics of inflation. While we target the consumer price index, individuals experience inflation differently. For young people, housing and education costs matter most. For older Canadians, healthcare costs are of particular concern. And for indigenous peoples, the high levels of prices in remote communities pose much greater challenges than any year-on-year price increases.

Indirectly, these deeper and broader interactions have added a richer lens to our policy-making. Regardless of the results of our 2021 review, we will be better positioned to incorporate more perspectives into the day to day conduct of monetary policy.

Beyond expertise

Second, the BoC is carrying out world-leading research in financial technology, most notably studying a central bank digital currency. This requires a multi-disciplinary approach involving, among others, economists, data scientists, experts in computer-human interaction, software and hardware developers, and payments experts. It combines theory with practical reality, enriching our research and challenging our thinking at every step. However, top quality work requires more than calling on diverse expertise. We strive to ensure a meaningful voice at the table for people of diverse identities, backgrounds and life experiences.

Moving forward, there is a need to broaden this engagement. We must reach out to the payments systems community, the financial sector and the design community. But we also need to understand the perspectives of poverty groups, remote communities, and those with limited access to the financial system.

Diversity and inclusion matter. For central bankers, these can translate to richer discussions, better outcomes, and greater accountability to the citizens we serve. ♦

‘We are engaging with a much wider range of interests. Their input is already impacting our work.’

FINDING 2:

A case for quotas

Quotas inevitably raise questions of meritocracy, but meritocracy only works when the playing field is even. The lack of high-profile female central bankers discourages women from pursuing a career in this community, perpetuating gender imbalance.



Interview shortlists missing out on female talent

When hiring for a vacant position, do you have a policy to ensure that both female and male candidates are selected for interview?

Response	Percentage
No	59%
Yes	41%

QUOTAS are the fastest way to increase female representation and improve gender balance, but they inevitably raise questions of meritocracy. However, meritocracy only works when the playing field is wide and even. In central banking, labour market failures prevent women from entering this workforce.

One market failure is information asymmetry. When women are unaware of career opportunities in central banking, they are unlikely to pursue this path. It may be because there are few well-known female central bankers, leaving women with no role models. It may also be due to a general misconception that economics and finance are for men only. This creates further information asymmetry on the side of recruiters: when they receive an overwhelming number of applications from men, there is little incentive to search for equally qualified women.

This builds the case for quotas and targets. Forcing recruitment teams to hire, or at least interview, a certain number of women for vacancies means an organisation's staff has a higher chance of achieving overall gender balance.

Less than one-fifth of central banks surveyed have a gender target for junior staff, suggesting that few central banks are pursuing diversity among new hires. Having some form of gender quota or target for more junior positions helps ensure that an organisation will eventually have sufficient women to consider for leadership roles in the future.

Another way to make sure that an organisation hires enough women is through the interview process. Guaranteeing that interview pools have at least one qualified woman can be a challenge when recruiting for certain positions that tend to attract and are typically filled by men.

This would usually require additional effort on the part of the recruitment team.

When asked if they have a policy to ensure that both men and women are interviewed for any vacant position, 41% of central banks said that they did. Upon further probing on the details of the policy, it became clear that about one-third of those who responded 'Yes' were not actually implementing one. Like many of those who responded 'No', they abide by an 'equal opportunity' principle in recruitment. They do not – or are legally not allowed to – discriminate against either sex, which means they are unable to discriminate positively in favour of women.

A remedy would be establishing a different set of procedures for departments that are heavily gender-imbalanced. This would allow the organisation to impose a gender quota in the recruitment process, with the option to remove it once internal targets are met. While having female interview candidates does not guarantee that a woman will be hired, the policy will have the desired effect on the recruitment process. It will encourage recruitment teams to widen their nets and target qualified women for vacancies, especially in cases where this might not have been a practice before, without violating any laws that prohibit discrimination.

Spotlight

Germany's Federal Equality Act requires a 50-50 male-to-female ratio in interview pools for vacancies in a group where women are underrepresented. The rule also applies when men are underrepresented in a group. The law governs all national government agencies, including the Deutsche Bundesbank. ♦



**FERNANDA
NECHIO**

Deputy
Governor,
International
Affairs and
Corporate Risk
Management,
Banco Central do
Brasil

The path-breakers' duty

A gender imbalance in economics gives girls the impression that it is a career path reserved for men. They need role models to promote an inclusive work environment.

EARLY in my career as an economist, I became accustomed to being the only woman in the room. This was true when I interned at an investment bank during my studies, and continued as I progressed in my profession. Unfortunately, my experience is not unique and seems to be an enduring peculiarity of our profession.

At my alma mater, around one-third of undergraduates and a quarter of post-graduates studying economics are women. When it comes to women venturing into the fields of macroeconomics or finance, women's participation is even more limited. The lack of prominent female economists erodes the sense that this is a common career path for young women. This can be the first deterrent to a girl considering a career in economics.

The relatively few women who go on to pursue a PhD in economics are faced with an environment that is often seen as unwelcoming. Women make up a small share of the full-time professors at my local university. The absence of critical mass can send the message to young women that this profession is not for them.

The gender distribution at Banco Central do Brasil mirrors the imbalance of the economics profession. Over the past 20 years, women have accounted for around 20% of staff. A similar share of women occupies leadership positions at the BCB. For the first time in history, two women sit on the central bank's governing board, representing 22% of its members. Fostering an equitable and safe work environment for women and minorities is one of our institution's objectives.

at work. Women make up more than half of Brazil's population. Their underrepresentation in so many fields of the country's public life reinforces the need for policies and actions in our institutions aimed at reducing gender imbalance and making sure all workers have the same opportunities.

To change the culture that has rendered economics such a male-heavy career path, and make the sector more diverse and inclusive, it is important to be proactive. As leaders in our profession, we are responsible for growing the pipeline for a diverse group of future economists.

We must reach out to girls and minorities at different ages and introduce them to the possibility of being an economist, and the different career paths available in the field. It is our duty to guarantee a safe and inclusive work environment, amplifying our efforts to provide information, support and guidance, and to discuss opportunities and career paths in our institutions.

I have been fortunate enough to have female mentors in my career. They taught me that 'diversity is essential as a value and a practice', to quote Mary Daly, president and chief executive officer of the Federal Reserve Bank of San Francisco. Acknowledging the influence of mentors on our own professional lives, we should serve as role models and mentors ourselves. ♦

'At my alma mater, around one-third of undergraduates and a quarter of post-graduates studying economics are women.'

Clearing the path

With that in mind, the BCB is taking a holistic approach to ensuring equal opportunities and a respectful workplace. In the last year, the bank has initiated a set of actions including workshops on harassment and discussions on gender issues among a group of female employees. Instigated by this group, in March 2020 an internal campaign will take place to promote appropriate behaviour

FINDING 3:

Imperfect competition

There are mentorship and training programmes to encourage diversity, but these don't go far enough. The majority of institutions shy away from measures to ensure both men and women are interviewed for promotions.



Almost half of respondents have no policies to support women's progression

Do you have any of the following programmes that encourage the upward progression of women within your institution's ranks? (Check all that apply.)



Majority trust market forces to level the playing field

In promoting staff to vacancies in senior management (e.g. executive committee, management committee, deputy governors, assistant deputy governor, etc.), do you have a policy to ensure that both female and male candidates are selected for interview?



A COMMON response to the call for measures to address the lack of diversity is that the choice should come down to who is the best candidate, regardless of gender or other characteristics. But the competition is far from fair.

Because of a historic dearth of opportunities, there are few women in senior positions and still too few windows for advancements. Network effects are important. Several institutions in our survey sample have introduced programmes targeted at encouraging the upwards progression of women. The most popular measure is leadership training for female staff, which more than a quarter of survey respondents have implemented.

Mentorship programmes are also popular, in place in just over one in five institutions in our sample. Some institutions have programmes in place for men and women alike. This is welcome. Instituting mentorship opportunities internally helps correct the lack of availability of opportunities to women who are not part of informal 'boys' clubs'.

Such measures can support women's careers in a gradual way and are fairly uncontroversial. But when it comes to direct and immediate interventions, institutions are more reluctant to act boldly. Only 24% of institutions have a policy to ensure that both female and male candidates are selected for interview when promoting staff to senior management. For some respondents, this applies only when recruitment is outsourced to headhunters, who must abide by quotas for the total number of female applicants and those shortlisted for interview.

Some of those that responded 'no' have softer measures in place to help achieve balance. One central bank said that 'managers are invited to guarantee equal opportunities to their staff in terms of tasks, working groups and responsibilities' and that these requirements are taken into account for promotions. Another reported that having a good gender balance of candidates being interviewed is supported through 'inclusive employee development and succession planning practices'.

Another way to ensure that women are given a fair chance to progress is to make selection panels more focused on diversity. One central bank reported that even though it has no policy to guarantee both female and male candidates are selected for interviews, they 'ensure that the recruiting panels for manager positions are composed by 50% female recruiters'. Several respondents have specific training programmes in place to address the issue of unconscious bias.

Spotlight

In December 2019, Papua New Guinea's Ministry of Public Service introduced the National Public Service Gender Equality and Social Inclusion Policy. Building on this, the Bank of Papua New Guinea has developed a strategy for leadership training and mentorship specifically for women. The GESI offers ways to avoid biases in recruitment. It designates 'women in decision-making' as a priority area and presents strategies to encourage women's progression, such as training and development, mentorship and coaching. ♦



**RHONDA
VONSHAY
SHARPE**

President of
the Women's
Institute for
Science, Equity
and Race

Category error

Measuring diversity purely by gender can result in cultural bias and the exclusion of marginalised groups. To better craft policies, central banks should disaggregate gender data by ethnicity.

DIFFERENCE characterises diversity, but also serves as a basis for exclusion. Historically, difference defined by gender or ethnicity has been used to exclude women and non-whites from full participation in economic activities.

Failure to break down gender data by ethnicity is an example of cultural bias – white (European) women are the norm. Failure to break down ethnicity data by gender is another example of cultural bias – men are the norm. When ethnicity and gender data are disaggregated, the results can inform policies to increase the economic participation of targeted groups, rather than a standardised approach aimed at women or ethnic groups.

Central banks have a social obligation to reflect the societies they serve. To do so, it is important for them to separate data by ethnicity or other characteristics historically used to exclude women. Our increasingly global economy allows for the free migration of labour between countries and for multinational corporations to hire workers abroad. This has led to greater diversity around the world. As this amplifies, using the denominator 'women' will fail to capture the diversity within this group that should be reflected at various levels of central and private bank staff.

Varied viewpoints

However, disaggregating data by ethnicity will not reduce 'groupthink'. US legal scholar Stephen Carter suggests that using race as a proxy does not automatically yield different perspectives. This applies to any characteristic that defines diversity. Varied viewpoints must be the goal, not just group heterogeneity. Separating data by ethnicity can help reveal the subtlety in outcomes masked by using aggregates like 'women', leading to better results. Policies to increase all women's economic empowerment are more effective if they are based on nuanced information.

Organising data in this way will enable central and private banks to craft better diversity

recruitment and retention policies to increase the representation of women from marginalised groups. These women are the most economically and socially vulnerable. US legal scholar Kimberlé Crenshaw pioneered the study of intersectionality to address the specific ways in which black women are subordinated. She suggests that any policy that claims to reflect female experiences and aspirations without including or speaking to marginalised women is in effect othering these marginalised women. Therefore, recruiting women from minority groups to serve in key decision-making positions that interface with customers and influence monetary policy is crucial for the economic wellbeing of society.

The Bank of England runs a sponsorship programme designed to increase the profile and support professional development of women and black, Asian and minority ethnic staff. While I applaud this effort, research shows that for black, Asian, and ethnic minority women, finding a sponsor can be difficult. The BoE should collect data using an intersectional approach, for example by providing participants options to self-identify in ways that may capture inequality in programme outcomes.

Collecting and disaggregating data by ethnicity are invaluable processes to help central and private banks achieve their economic and social responsibilities, but they are not enough. Banks must also address how 'women' is used to exclude. Specifically, the failure to use 'white' or 'European' as the descriptor for women suggests that black, Asian, and ethnic minority women are not women. True gender diversity requires recognising that the aggregate 'women' refers to all racial and ethnic groups, not just white (European) women. ♦

'Policies to increase all women's economic empowerment are more effective if they are based on nuanced information.'

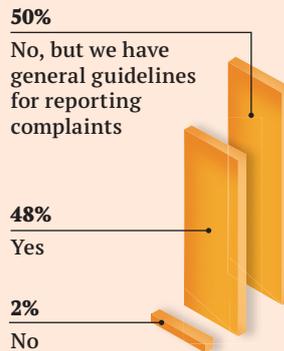
FINDING 4:

A safe and inclusive environment

Workplace discrimination is illegal in many parts of the world, and yet continues to act as a barrier to women's success. Having clear policies against discriminatory and offensive behavior is a strong indication that an institution is committed to providing equal opportunities to all.

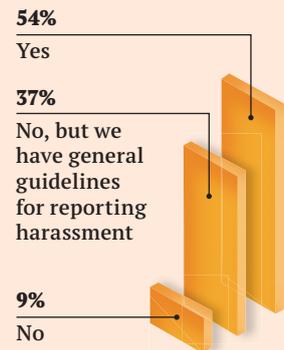
Respondents split on handling discrimination

Does your staff handbook or any similar document contain guidelines on reporting discrimination (e.g. gender, race, ethnicity, religion) and handling such complaints?



Sexual harassment taken seriously

Does your staff handbook or any similar document contain guidelines on reporting sexual harassment and handling such complaints?



PROFESSIONAL development can be nurtured through supportive and inclusive work environments. Women, as well as individuals from minority backgrounds, are more likely to confidently pursue opportunities for advancement when they know that their workplace has strong safeguards against unfair treatment, discrimination and offensive behaviour.

Discrimination takes many forms, but in the context of career progression, it can manifest when individuals or groups are overlooked for vacancies and other opportunities. It could also be reflected in differences in salary and the provision of other employment benefits.

Gender discrimination occurs in situations where men are favoured over women, or when employers show a bias towards men. It could also happen vice-versa, but within financial institutions, men are more visible and form a dominant majority. In modern workplaces, gender-based discrimination is taboo. However, women are often still subjected to the culture of misogyny that permeates the financial industry.

Although workplace discrimination is illegal in many places of the world, only half of respondents have specific guidelines on how employees can report discriminatory behaviour. The other half have none, but they do have guidelines on how staff can report complaints of any nature.

Most respondents have policies against sexual harassment, while 37% have guidelines on reporting all forms of harassment, regardless of nature. One central bank has a helpline for employees who experience discrimination and harassment in the workplace. Through the helpline, employees can receive psychological and practical support to help them deal with difficult and sensitive situations.

As the #MeToo movement has shown in recent years, many women who are victims of abuse and sexual harassment struggle to report their experience for many reasons: trauma, fear of consequences, uncertainty that they will be believed and threat of retribution from perpetrators. Given the sensitive nature of harassment, especially when sexual in nature, it is important for women to know that there is a safe space where they can report offensive and abusive behaviour.

Female leadership is important in dealing with workplace discrimination and harassment. Women in senior positions can mentor younger colleagues and make them feel more comfortable talking about difficult and uncomfortable experiences that might be understood better by someone who has likely experienced similar.

Gender-based discrimination and sexual harassment are barriers to women's success. Preventing hostile acts and responding to them appropriately when they occur signal that employers genuinely care about their staff's well-being and that they are committed to fostering a safe and inclusive work environment. Having clear policies and guidelines against discriminatory and offensive behaviour is a strong indication that an institution is committed to protecting the dignity of their employees and providing equal opportunities to all.

Spotlight

The State Bank of Pakistan has inquiry committees specifically for the protection of women against harassment, in line with national legislation. It also has dedicated committees for both clerical and non-clerical staff, both chaired by women. ♦



**CHUCHI
FONACIER**

Deputy Governor
of the Financial
Supervision
Sector, Bangko
Sentral ng
Pilipinas

‘The BSP has pursued various reforms promoting gender welfare and work-life balance. Female employees are entitled to statutory maternity leave and we have set up lactation rooms and a nursery at our headquarters.’

Championing women’s voices

To reap the benefits that diversity brings to decision-making, organisations must foster an inclusive environment and listen to women’s needs.

BY INCLUDING women’s voices in policy-making, the Bangko Sentral ng Pilipinas benefits from diversity and balance in the pursuit of its core mandates. This helps manage effectively the demands and challenges of the increasingly complex financial services industry. Championing gender diversity and balance within the BSP and its supervised financial institutions is key to lasting reforms.

A diverse staff offers a range of talents, skills, experiences, backgrounds, views and perspectives. This allows for different styles of thinking in the decision-making process.

Gender diversity can affect the quality of this process. It can guard against ‘groupthink’ by presenting a variety of values, beliefs and attitudes. The presence of more women in top management positions could help cultivate better types of leadership in terms of developing personnel and setting expectations and rewards. These women can also serve as role models.

The BSP, as a modern central bank and supervisor of the financial system, is embracing this change in corporate culture by becoming a champion of women’s voices. All members of our monetary board are men, but senior management positions are split equally between men and women.

This diverse decision-making group has a well-rounded view of business issues and risks. Research shows that gender and professionally balanced organisations are more likely to focus on broad-based strategic objectives, corporate governance and risk management.

By empowering women to take a leading role in regional and local dialogues, committees and working groups, we can nurture their voices in central banking.

Work-life balance

Guided by its core values of excellence, patriotism, integrity, solidarity, and accountability, the BSP has pursued various reforms promoting gender welfare and work-life balance. Female employees

are entitled to statutory maternity leave and we have set up lactation rooms and a nursery at our headquarters. We also offer scholarships and skills workshops for children of BSP staff.

Every year, we celebrate Family Day and observe the International Day for the Elimination of Violence against Women. We do this to promote a healthy family life and protect women and children against all forms of violence and harassment.

Moving forward, the BSP is committed to fostering an environment in which diversity is valued at all levels of the organisation. We have set out a gender diversity action plan to attract more varied female candidates to key positions and enhance internal selection processes. We aim to curb the biases and prejudices that tend to act as barriers to women’s career progression, and focus more on candidates’ competence. We also plan to encourage work-life balance and increase our accountability and commitment to issues affecting women. Moreover, we are working to shape the development of products and services for women.

In these changing times, championing women’s voices and gender balance is challenging for public servants and policy-makers, but it is the right thing to do. ♦

Tone at the top

Margarita Delgado, deputy governor of Banco de España, is one of the few women to have reached the upper echelons of central banking. She speaks to Danae Kyriakopoulou about strengthening the talent pipeline, gender quotas and implementing cultural change.

Danae Kyriakopoulou: Spain has one of the world's most gender-balanced cabinets. Banco de España tops this year's gender balance index for central banks, although there is room for improvement. What are the policy, cultural and socioeconomic factors that support this relative success and what can other countries learn from your example?

Margarita Delgado: This success is rooted in a strong, longstanding political commitment to gender equality. In terms of the proportion of women in its cabinet and parliament, Spain is one of the most gender-balanced countries in the world. This is also reflected in the composition of Banco de España's governing council.

Spanish legislation has helped advance equality in the workplace. The gradual introduction of equal maternity and paternity leave will grant new fathers up to 16 weeks of time off work by 2021. Spanish companies are required to complete a gender audit with the average salary broken down by gender, and progressively implement gender equality plans. These must address issues such as the selection and hiring process, work conditions and preventing sexual harassment.

There is a fairly broad consensus among Spanish companies that having diverse voices in the boardroom is good for business. This trend is edging its way deeper in organisations. We are making progress, but women are still not represented adequately at board level.

From an internal perspective, our governing board is committed to bridging the gender gap within BE and setting the 'tone at the top'.

However, there is plenty of room for improvement. In the World Economic

Forum's latest Global Gender Gap Report, Spain ranks highly in political empowerment, but lags in economic participation and opportunity, especially regarding the pay gap and the proportion of women in managerial positions. Spanish companies have a lower proportion of women on their boards than the European average. Nonetheless, the Spanish market authority recently launched a consultation on amendments to the 2015 Good Governance Code for listed companies, raising the recommended proportion of women on corporate boards to 40% from 30%.

DK: A common response to criticisms about lack of gender diversity in central banking (and other male-dominated fields) is that 'the pipeline is not there'. Do you agree and if so, what can institutions like central banks and senior women from the profession do to encourage more women to enter the sector? If the pipeline is there, how can central banks ensure that women who are qualified and want to progress in the sector are given a fair chance to do so?

MD: The pipeline is there. But even if you accept the argument that there is a lack of women in the pipeline, you have to question why the pipeline is leaking. There may be many potential causes for this, such as processes for intermediate positions that are blocking women's career advancement.

It is possible women are being left out of informal channels of communication in the company that would allow them to be more effective and get promoted. They might feel discouraged to put themselves forward for top positions because they believe that their chances

of success in a mainly male environment are limited. Women tend to have a lower tolerance for failure and are usually more risk averse in their decisions, so they only vie for a promotion when they are overqualified for the position.

BE's first ever strategic plan involves managing diversity in the organisation. We have produced a detailed analysis of gender differences in career progression within the organisation to spot bottlenecks. We are developing mentoring programmes for young men and women and promoting several initiatives on maintaining a good work-life balance.

We need to strengthen and diversify the pipeline in some areas, and part of that objective requires strong and encouraging top-down messages. Management must commit themselves to these goals, aligning internal policies and strengthening networks among peer institutions to raise diversity aspirations and share best practices. It is also important to involve women in leadership programmes and work with line managers to avoid unconscious bias.

BE and the European Central Bank have carried out a detailed analysis of their employees' anonymised professional profiles. This is just an example of the importance of data transparency and something very few institutions are doing. The ability to systematically keep track of and analyse employees' careers should help monitor progress and make work conditions fairer and more efficient.

DK: The European Central Bank has set gender targets with regard to the share of women in management boards, senior management teams, and wider management teams. Such measures have at times been met with criticism – from both men and



‘Gender targets should not be detrimental to the quality of candidates. Rather, they should help mobilise an as-yet undetected talent pool.’

PROFILE

Margarita Delgado was appointed deputy governor of Banco de España in September 2018. She sits on the supervisory board of the European Central Bank’s Single Supervisory Mechanism. Previously, she was deputy director general for Microprudential Supervision I at the ECB, responsible for the direct supervision of the 35 biggest and most complex significant institutions in the euro area.

women – as they may constrain an institution’s ability to appoint the most qualified candidates. How would you respond to criticism?

MD: I am not particularly in favour of hard quotas, but I believe that gender targets make sense given that women face additional barriers in their career, and this leads to a considerable loss of talent. Gender targets are a way to level the playing field. There may be criticism from some men who consider they are discriminated against because of the targets, but these are the right tool to help rectify an unfair situation.

Gender targets require proper, prior assessment of barriers and potential discrimination (mostly implicit or unconscious). Only after diagnosing the problem can you prescribe the right medicine.

Gender targets should not be detrimental to the quality of candidates. Rather, they should help mobilise an as-yet undetected talent pool. Much remains to be done on creating awareness and transitioning to a more diverse and inclusive culture, but this is sure to bear fruitful results in the medium term.

DK: What has been your own experience as one of the few women at the higher echelons of central banking and what would be your advice to more junior women looking to progress in the profession?

MD: I have been lucky throughout my career. I have always felt valued as a person and as a professional. However, I have always been surrounded by – and competed with – men; this was not always easy. Like any other woman, I have often been subjected to patronising behaviour, ‘maninterrupting’ or ‘mansplaining’. These habits are so common, I am happy to see they have finally been given a name.

My advice for more junior women would be to work hard, be prepared and seize opportunities. Above all, believe in yourself and dare to take risks, even if they imply making mistakes along the way, not because you are a woman, but because that is part of being human. Talent and hard work should be considered, acknowledged and promoted no matter what ‘package’ they come in.

DK: How can men leading and working alongside women in

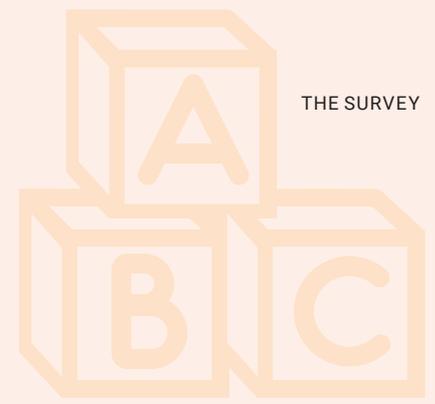
central banks act as ‘allies’ for diversity? How can they help create a supportive environment for the career progression of female colleagues?

MD: This issue goes beyond gender. It is about cultural change. We must be fair to all people working within our organisations, regardless of gender. I am certain most men support this process; I see that on a daily basis at BE.

There is academic research on the importance of critical male actors who advocate for gender equality, to avoid this being relegated to a ‘feminist issue’ and dividing the discussion into ‘men versus women’.

It is crucial to have men’s support for all these initiatives to ensure boards are gender balanced and information flows to all employees. This will help to encourage female colleagues to take risks, show off their successes and be recognised publicly for their good work.

We all need to have more open and inclusive behaviour, by encouraging women to apply for leadership positions, focusing on results rather than on attendance control, and supporting female leadership networks. ♦



FINDING 5:

Pushing parental leave

Building a pipeline of well-qualified, experienced female central bankers means supporting them through all stages of their careers, including when they start families.



IN MANY parts of the world, and particularly in industries that have few women, granting maternity leave is still perceived as a burden rather than a benefit to the whole organisation. Parental leave, or leave taken by either the mother or father in the period beyond the initial maternity or paternity leave, suffers from a similar stigma. To benefit from talent retention, central banks need to establish progressive maternity, paternity and parental leave policies to encourage a culture shift that accepts them as the norm, rather than a form of preferential treatment for parents.

All survey respondents offer a maternity package. One central bank did not have a corresponding policy for fathers, although this may change through legislation that has been proposed in that country. Of respondents, 37% went beyond the statutory requirement for maternity leave, while 26% did the same for paternity leave. Competitive packages that are above the minimum legal requirement increase the attractiveness of working for an institution. Maternity packages can be compared based on paid leave entitlements offered before and after giving birth, but some central banks provide supplementary benefits, such as breastfeeding leave, parental leave and childcare support.

There is plenty of variation in how maternity leave may be taken, the length of time covered and remuneration offered. This creates difficulty in calculating an average, but 63% of responses fall between three to six months of paid leave. Three institutions offer the shortest maternity leave of only two months. Another offers 14 weeks of fully paid leave, an improvement from the statutory requirement of only 10 weeks on 80% pay. This respondent's government is due to extend the legal requirement to 14 weeks in 2021, demonstrating how

central banks can help set an example and build momentum for better policies. The respondent with the longest maternity package offers nearly three and a half years, composed of six months' maternity leave and three years of parental leave. However, remuneration during parental leave is a fixed amount provided by the state, regardless of the person's salary.

Durations of paternity leave offered are much shorter. Pregnancy and childbirth do not take a toll on fathers' bodies, but granting paternity leave is important to ensure that mothers have sufficient support while they recover from childbirth and that the infant is well looked after. Among respondents, 41% offer between one to two weeks of paid paternity leave. The shortest leave offered by a respondent is one day, while the longest is 12 weeks. Other central banks offer much longer periods as shared parental leave, meaning that fathers can take it if the child's mother does not. Out of all respondents, 17% grant between eight months to three years of this type of shared leave. Based on anecdotal feedback, organisations that offer parental leave observe low uptake among fathers. Encouraging all parents – regardless of sex – to take advantage of parental leave can help normalise family-related career interruptions and remove the gendered bias against mothers who take maternity leave.

Spotlight

In the survey sample, Bulgaria offers the longest maternity leave with close to full pay. The country's Labour Code grants mothers 410 days of maternity leave, which includes 45 days of pre-natal leave. Compensation provided by the National Social Security Institute is equivalent to 90% of gross salary for the whole period. ♦



**IRENE
ESPINOSA
CANTELLANO**

Deputy Governor,
Banco de México

Improvement through measurement

Central banks are making inroads in redressing the structural inequalities that are preventing individuals from reaching their full potential.

ACROSS advanced and developing countries, structural inequalities and social norms have led to a persistent, systematic underrepresentation of women's labour force participation. In Latin America, the share of women in central banking falls below that in other sectors. Banco de México is no exception. Breaking these patterns to tap into women's potential requires profound institutional and cultural change.

Executives at the top of the ladder are the best advocates for cultural change. In 2018, BdM's board of governors endorsed publicly labour equality and non-discrimination as institutional strategic objectives, a strong message that resonated throughout the central bank. To demonstrate its commitment to the cause, the board instructed the creation of the labour equality and non-discrimination committee, which is chaired by a board member. As a consultation and advisory body, the committee is representative in terms of gender, departments and responsibility levels. Its objective is to propose and follow-up on the implementation of policies and practices for equality. A specialised gender, diversity and inclusion subdivision provides support, and advises on this process, which it coordinates. As its first duty, the committee proposed an institutional and participatory policy to foster a culture of equality and non-discrimination. The aim is to ensure everyone working at the bank meets their full potential, with equality taken into account in all of BdM's core functions.

Equality framework

Our institutional design for gender equality includes accountability mechanisms. Our equality and non-discrimination policy and its action plan allocate specific milestones and key performance indicators across all of the bank's departments. Every four months, senior management updates the board of governors on progress made on these goals and the committee prepares a simplified annual report for all employees. Every two years,

BdM is evaluated externally against national and international certification standards to objectively measure our progress and provide us with a benchmark.

This framework has started to deliver positive results. The bank now attracts more women, at all levels of responsibility. This is thanks to the implementation of practices such as unbiased recruitment processes and flexible work schemes. We have extended maternity and paternity leave and introduced nursing rooms and childcare support. The committee has pushed for an annual gender pay gap analysis to monitor the fairness of payment between men and women in similar jobs, and an improved, anonymous system to report violence in the workplace, including sexual harassment.

Our equality and non-discrimination policy has laid out an economic research agenda to better understand women's labour force participation, the macroeconomic effects of their economic empowerment at household level and the barriers they face in the field of economics. In addition, BdM has called for the inclusion on banknotes of key female figures in Mexican history to commemorate their contributions to the society.

Much remains to be done, with important challenges ahead. However, I am certain that BdM and other central banks around the world are moving in the right direction to rectify the structural inequalities and dismantle the social norms that prevent traditional victims of discrimination – especially women – from reaching their full potential. ♦

'We have extended maternity and paternity leave and introduced nursing rooms and childcare support.'

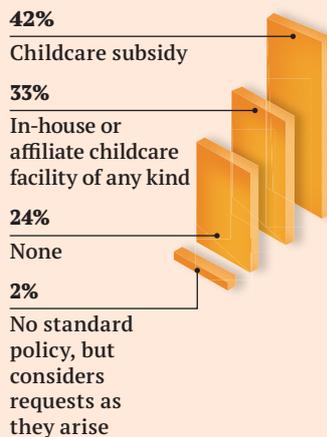
FINDING 6:

Flexibility for families

Parenthood does not end after parental leave. Arguably, it becomes harder when parents return to work. Central banks need to support staff who have parental and caregiving responsibilities even after they have re-entered the workforce.

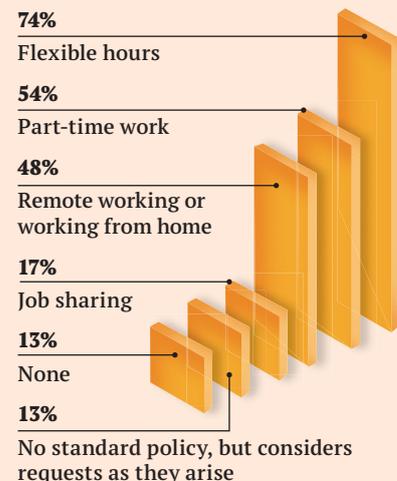
A quarter of central banks do not provide childcare benefits

Do you offer any of the following forms of childcare support? (Check all that apply)



Most central banks give employees flexibility

Do you offer any of the following flexible working arrangements? (Check all that apply)



WOMEN OFTEN take up caregiving responsibilities, but these are not inherently gender-specific. Men also benefit from supportive policies established by their employers. Support can come in two forms. Flexible work arrangements enable employees to complete their work beyond the conventional nine-to-five model. Receiving childcare benefits can help them work typical hours while making sure they have the resources to hire someone to look after their child.

Most central banks recognise the need for flexibility. Three-quarters of respondents offer flexible hours, enabling staff to adjust their hours in a way that suits their familial needs. Half of respondents also give the option of reduced hours or part-time work, which can allow employees to continue their careers even when they need more personal time than working full-time permits. Job-sharing is a less common form of flexible working, with 17% of central banks offering it as an option. It is usually applied to roles that demand normal, full-time hours. This arrangement entails two part-time employees dividing the work between them.

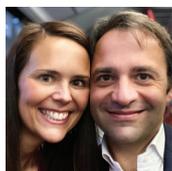
Of respondents, 13% have not established standard flexible working policies but are open to considering requests on a case-by-case basis. While this is helpful, it is always better to set standard policies and guidelines to ensure that employees are aware of their options. Having standard policies also prevents subjectivity in how they are applied. It removes any psychological burden on employees when they request for flexibility, which could include worrying if their request will be accepted and if it is being wrongly perceived as seeking preferential treatment.

Although flexible working arrangements are becoming mainstream for most central banks, providing childcare support is less common. Less than half offer childcare allowance, subsidies or reimbursement, which can help cover the cost of hiring a childminder or using a childcare centre. One central bank offers a summer school subsidy, which helps parents who might not be able to afford full-time care for school-age kids throughout the summer holidays. Another said that it offers no form of childcare support, but only because the opening times of local childcare facilities are aligned with working hours. Only one-third of respondents have childcare facilities. These are ideal for mothers who are still breastfeeding, as well as for children who might have special needs and require their parents to be nearby. Having these facilities in-house also reduces parents' commute, leaving them with more time for both work and family.

Central banks and other employers should not penalise their employees for having children or other family members to take care of. Instead, they should provide flexible and meaningful benefits that help relieve the burdens of parenthood and family life. Doing so is not just an investment in their staff, but in wider societal wellbeing.

Spotlight

Tunas Kijang, Bank Negara Malaysia's childcare centre, was built in 2012 to give central bank employees a convenient place to leave their children. The centre can accommodate around 400 children, making it one of the biggest childcare facilities in the country. It was set up for infants as young as three months old, with preschool facilities for children up to six years of age. ♦



DANIELLE ANEV JANSE

Economist,
Commission de
Surveillance du
Secteur Financier

KALIN ANEV JANSE

Chief Financial
Officer, European
Stability
Mechanism

Modern family

Dual-career couples are no longer the exception, but pockets of the financial world still think traditionally and need to change their mindsets to support modern families.

IT IS 6.20am when the alarm goes off. Neither of us feels ready to start the day, as the night brought a few surprises and ended with us sharing our bed with our two children. Nonetheless, (work) life goes on, and so we rush through working parents' morning routine. As Kalin drops the children off at nursery, he has rescheduled his meeting to start at 9am, which is the earliest he can make it to the office. Both of us have a busy day ahead at work, while we try to keep the impression of our parental exhaustion to a minimum. Kalin travels out of town, so the nursery pickup and evening routine falls on Danielle. A last-minute, late afternoon meeting invitation causes some stress. It is almost time for the evening routine to start. The day ends how it began: asleep in bed together with the children.

This is the verse of our daily lives. For many couples trying to combine a career and family life, it probably sounds familiar. The 20th century was the age of creating equal opportunities, such as ensuring the same voting rights for women and men. The 21st century must be the age of true equality, from equal pay and top management positions, to equal burden-sharing at home and caring for children or elderly parents.

Dual-career couples are now the norm rather than the exception. It means both need to strike the balance in finding professional satisfaction and success while raising children or caring for elderly parents. Clear communication and back-up plans are a necessity. If the children are ill, we need to decide who stays home. If we have overlapping business travel plans, only one of us can go. If a meeting runs over, someone needs to pick the children up from nursery. The challenge encountered by many couples is trying to find the right balance. Trying to do both well can sometimes feel like succeeding at neither.

Perceptions matter

Many institutions have robust rules and procedures in place, but more work is needed to

change mindsets enough for true gender equality to become reality. Trying to split domestic responsibilities equally while both pursuing careers still provokes a reaction for either of us. Some may challenge Kalin for taking parental leave, questioning whether a man should take it, or whether a board member should be on leave. Some even ask, 'Don't you have a wife to take care of your children?'

In practice, perceptions matter. What we discovered as a couple is that Kalin tries to over-communicate his family obligations. Conversely, Danielle under-communicates them, to avoid the impression that her career has low priority. Pockets of the financial world still think traditionally.

But there are positive developments. The European public sector is leading the way. The European Stability Mechanism has introduced generous and diversified human resources policies to support dual career families, including paternity leave, parental leave, teleworking and paid leave to care for sick children. Luxembourg has made its parental leave policies more flexible and increased its paternity leave and child sick leave. In European countries, more and more fathers are seen on playgrounds while mothers are at work. And among younger fathers, foregoing the right to parental leave is starting to be considered strange behaviour.

The previous generation fought for equal rights for women. This generation is fighting for overall equality. As European public sector employees, we are lucky to be at the forefront. Imagine if the entire world followed. We would live in a different, better world. ♦

'The 21st century must be the age of true equality, from equal pay and top management positions, to equal burden-sharing at home and caring for children or elderly parents.'



**LAURENCE
KARAGULIAN**

Director,
Financial Services,
Mazars in the US

**PAULINE
PÉLISSIER**

Director,
Financial Services,
Mazars in the UK

**CÉCILE
KOSSOFF**

Group Chief Brand,
Marketing and
Communication
Officer, Mazars

What corporations can do

The task before companies is not to find ways for women to better fit the current business model, but rather to rethink the model entirely so they can create inclusive places to work.

In the last decade, numerous authoritative studies have proven the strong correlation between gender diversity in companies' top management and their performance. The McKinsey Global Institute estimates that achieving gender equality in the workplace could add \$12tn to global GDP by 2025. Research has shown year after year that companies in the top quartile for female participation in executive committees outperformed their peers – at times by up to 55%.

The causes of the gender gap are widespread and well-known, from faulty talent pipelines that fail to retain the best leaders, to unconscious bias – outdated perceptions that women cannot work to the same level as men – and unequal expectations related to 'unpaid care work'.

As employers, corporations have a significant role to play in addressing the gender gap, particularly in areas of the world where public policy lacks. Mirroring the battle against climate change, corporations have a social responsibility to step up and tackle one of the defining issues of our time.

How they choose to do so could range from implementing inclusive human resources policies that better manage maternity and paternity leave, normalising a work-life balance and reviewing what 'good performance' looks like. Perhaps it is time to retire the harmful 'long hours, no breaks' mindset. Systematic training at all levels could address unconscious bias, as could committees responsible for recruiting and appraisal decisions.

At Mazars, we have developed several strategies to achieve a greater gender balance in our own offices and for our clients.

While 53% of our global workforce (in certain countries, such as South Africa, that number jumps to as high as 60%) and 55% of our group governance council are women, we have set specific global targets to increase the number of female partners by 2025. We have also held the annual Women Leaders Seminar since 2016, which covers essential topics such as empowerment, visibility and development, and gives our senior leaders the

opportunity to learn how they can boost diversity.

In the UK and France, Mazars runs 'returner programmes' that help women who had paused their careers to re-enter the workplace. In the US, we launched Women@Mazars in 2016, an initiative that connects women to sponsors to gain clarity on the path to senior positions, offers training to end unconscious bias, and highlights personal leadership stories to make women's success more visible.

Equality checklist and other tools

We recently worked with the Observatory for Gender Balance to develop a gender equality checklist for chief executive officers. This is a way for them to assess whether their company has implemented the measures essential to achieving gender diversity. Mazars, alongside a number of large companies, is piloting the checklist internally.

In addition, we have developed assessment solutions for our clients that reveal the diversity of an organisation and its processes, while also spotting the disparities between an organisation's desired and actual culture of diversity.

We have also built a predictive analysis tool that takes a current employee structure, forecasts its evolution based on current trends and allows the client to determine new parameters and set targets to increase the team's gender diversity. A module is also incorporated to generate an organisation's gender pay gap reporting.

The task before corporations is not to find ways for women to better fit the current business model, but rather to rethink the model entirely so they can create inclusive places to work. Diverse teams perform better. Any business that wants to compete in the coming years needs to end gender inequality now. ♦

'Corporations have a social responsibility to step up and tackle one of the defining issues of our time.'



SARAH MUNDAY
Director of Sustainability,
Barings

Network effects

Correcting gender imbalance in the asset management industry requires a multi-pronged approach, from supporting women in the workforce, to encouraging girls to pursue a career in the industry.

HIRING, retaining and supporting talented women is critical to Barings not only because it is the right thing to do. As a global financial services firm, we are made stronger and more innovative by having a balanced workforce comprised of different perspectives and collaborative thinking.

Currently, 40% of Barings' staff are women and year-on-year figures show we are increasing steadily the number of female hires globally. Gender split is also monitored in terms of level of seniority and number of investment professionals compared with other roles.

To address gender imbalance within Barings and the asset management industry as a whole, we employ a multi-pronged approach.

First, supporting our female workforce is key. Following in the footsteps of Barings' US Women's Network, in September 2019, Barings established a Women's Network in Europe. The aim is to provide peer support and personal and professional development opportunities. 'Power of 10 partnerships', a recent addition to the network, are smaller networking and mentoring groups of up to 10 women. Within these, specific issues are raised and addressed, including practical and cultural barriers that can prevent women from realising their career potential.

Second, we are committed to building a gender-balanced talent pipeline. A two-year analyst programme was set up to overcome the dearth of junior talent coming into Barings. This sits alongside a 10-week graduate internship programme, which gives participants an introduction to the company before successful candidates move into the analyst programme.

The analyst programme places and trains junior professionals in several of our investment teams. At the end of the two years, based on the firm's need, high performing analysts may be offered a full-time opportunity from the respective group, or another group with a need for junior talent. Since the programme began in

2014, 57% of the alumni who have taken up full time positions at Barings have been women.

Third, it is important to encourage girls to pursue a career in finance. We partner with organisations that aim to educate girls on working in financial services. These include Tomorrow's Leaders, a UK programme working with school-age girls of African and Caribbean heritage. Another is Smart Woman Securities, a US non-profit whose mission is to educate undergraduate women on finance and investments through seminars and exposure to successful professionals.

For 14 years, Barings has been running the award-winning programme See the Possibilities. The firm engages with 57 educational institutions across the UK and Europe. Events and workshops provide students with an introduction to Barings and asset management. It is important for students to see role models with whom they can identify. Barings employees from different areas of the business, at different levels of seniority and from diverse backgrounds take part in panel discussions and facilitate workshops to give students the opportunity to engage in a stimulating environment. Although the programme is not exclusively targeted at women and girls, we encourage female participation. Out of the 190 students that participated last year, 60% were female. Students who complete See the Possibilities can potentially go on to join the 10-week graduate internship programme. There are plans to launch it in Asia in early 2020.

These are just a few of Barings' initiatives to help improve gender diversity. We have made inroads but know that there is still much to accomplish. Human resources initiatives promoting gender diversity and programmes designed to address gender imbalances are important, but to accelerate progress, our ultimate goal is to make this a priority on every line manager's agenda. ♦

'It is important to encourage girls to pursue a career in finance. We partner with organisations that aim to educate girls on working in financial services.'

+8%

Global score
rises to 19
from 17

Funds fail to diversify

Through their investment choices, sovereign funds are ideally positioned to shift the gender balance. Unfortunately, they count very few women among their top ranks.

AS RESPONSIBLE investing grows in prominence, sovereign funds are ideally positioned to steer investors towards achieving environmental, social and governance goals. This includes promoting investments that support gender diversity and women's empowerment, whether through active ownership strategies or the adoption of other gender balance initiatives.

Unfortunately, sovereign funds' management teams and boards are far from gender-balanced. Out of 72 sovereign funds in the Gender Balance Index, only eight are headed by women, unchanged from last year.

The GBI score for sovereign funds increases marginally to 19 from 17, suggesting that state-owned assets are still controlled by male-dominated teams. Sovereign funds are failing to take advantage of the benefits of gender diversity.

Females in funds

While the overall score is low, there are notable developments. Australia's Victorian Funds Management Corporation tops the index, achieving the highest score among sovereign funds. The appointments of Ezinne Udeh Martinez as executive manager for investments and Talieh Williams as head of investment stewardship propel the fund's score to 96. The leadership team is composed of 13 individuals, six of whom are female, including chief executive officer Lisa Gray. The eight-person board includes five women.

The Middle East shows the best improvement in score, but remains the worst-performing region overall. Its score more than doubles to five from just two last year. Key appointments in some of the region's biggest funds drive the increase.

The Kuwait Investment Authority triples its score to 18 from 6 through

Gender Balance Index score, top 20 sovereign funds 2020

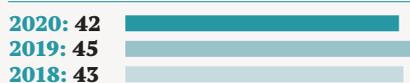
Rank		Score	AUM\$bn
1	Victorian Funds Management Commission	96 ▲	83.22
2	Heritage and Stabilisation Fund	92 ▲	5.97
3	Permanent Wyoming Mineral Trust Fund	80 ◀	7.81
4	Mumtalakat Holding Company	76 ▲	15.40
5	Alaska Permanent Fund Corporation	72 ▼	63.94
6	Fondo de Estabilización Fiscal	69 ▲	5.77
7	Ghana Petroleum Funds	66 ▼	0.87
8	Funds SA	65 ▼	24.13
9	Permodalan Nasional Berhad	56 ▼	71.34
10	Petroleum Fund of Timor-Leste	54 ◀	16.51
11	Caisse des Dépôts et Consignations (France)	53 ▲	499.92
13	Queensland Investment Corporation	52 ▲	64.39
13	New Zealand Superannuation Fund	50 ◀	25.91
14	Caisse des Dépôts et Consignations (Tunisia)	50 ▲	499.92
15	Fundo Soberano de Angola	47 ▲	5.01
16	Texas Permanent School Fund	43 ▲	46.52
17	New Mexico State Investment Council	42 ▼	23.97
18	Alabama Trust Fund	41 ▲	10.00
19	Russian Direct Investment Fund	40 ◀	3.24
20	Excess Crude Account (Nigeria)	39 ◀	0.63
20	Norges Bank Investment Management	39 ▲	1060.9

Source: OMFIF analysis, institutional annual reports

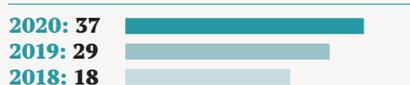
Sovereign funds gender balance index score

by region, 2018 v 2019 v 2020. Region scores (weighted by AUM)

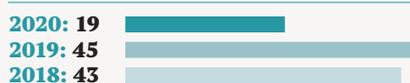
NORTH AMERICA ▼



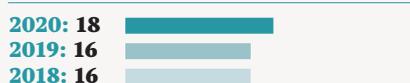
EUROPE ▲



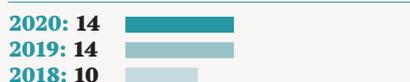
AFRICA ▼



ASIA PACIFIC ▲



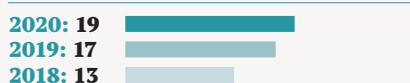
LATIN AMERICA CARIBBEAN ▼



MIDDLE EAST* ▲



GLOBAL ▲



Source: OMFIF analysis

new chair Mariam Al Aqueel, who holds the position as an extension of her role as finance minister. She is the first woman in Kuwait and the Gulf region to occupy this post. In 2019, she was named Arab Woman of the Year for Achievement in Economic Development & Leadership. KIA is the world's fourth largest sovereign fund and changes in its leadership consequently have a pronounced impact on the index.

Two women joined Bahrain's Mumtalakat. Rania Al Shirawi and Marwa Al Saad were appointed vice-

presidents for project management and human resources, respectively. Bahrain's sovereign fund is an outlier in the region, scoring 76 in the index, up from last year's 42.

Europe's score also improves, mainly due to Norway's Government Pension Fund Global, the world's largest sovereign fund. The region earns 37 points on the index, a 28% increase from last year's 29. The GPFG is managed by Norges Bank Investment Management, guided by the Norges Bank's executive board. Nina Hammerstad was appointed NBIM's chief people and operations officer. Benedicte Schilbred Fasmer and Nina Udnes Tronstad were also appointed members of the Norges Bank executive board at the start of 2020. Two women joined the management of Italy's Cassa Depositi e Prestiti. Alessandra Ferone was appointed chief risk officer, while Manuela Sabbatini was named chief audit officer. CDP is the third largest sovereign fund in Europe.

North America is the best-scoring region, despite a small decline to 42 from 45. Its second-biggest fund, the Alaska Permanent Fund Corporation, lost its female chief operations officer and has yet to name a replacement. Two women joined its board, but since the index assigns lower weights to non-executive positions, this was not enough to make up for the change in management. The APFC's score decreases to 72 from 82, although it remains one of the best examples of gender diversity in leadership, ranking fifth overall.

North America and Europe are the only regions where each fund considered has at least one woman in a senior role, partly explaining why they perform well on the index.

Asia Pacific shows modest improvement, with its score moving only slightly to 18 from 16. The Korea Investment Corporation's previously all-male board welcomed two women, Eunsook Seo and Okee Choon. However,

bigger funds in the region remain lacking in gender diversity. Four funds, including China's \$299bn National Social Security Fund, have no women in topmost positions.

Latin America maintains its score of 14. The top scoring fund in the region, Trinidad and Tobago's Heritage and Stabilisation Fund, is second in the index overall. Its management and board have more women than men, a rarity in the index. The fund's score increases to 92 from 80 last year after one of its female senior advisers left, improving the gender balance in favour of men.

Once among the best performers in the index, Africa's sovereign fund score plunges to 19 from 45 last year. Acting CEO Matshepo More of South Africa's Public Investment Corporation was suspended over a controversial transaction made in 2017 when she was chief financial officer. She was replaced by Vuyani Hako. Combined with other changes in the management structure, PIC's score drops to 26 from 67, pulling down Africa's score along with it.

Modern, responsible investment

Across the index, only 14 sovereign funds remain without any women, an improvement from 19 in 2019. Recent experience in the private sector indicates that highlighting this lack of diversity could help encourage female appointments. As of 2019, all S&P 500 companies have at least one woman on their boards, a significant improvement from seven years prior when one in eight companies were all-male.

To be genuinely responsible owners, sovereign funds need to look at gender diversity within their own ranks. As it is, they are losing out on female talent and potential gains from more diverse decision-making. A truly modern and responsible fund would take gender balance seriously. ♦

KAT USITA, Deputy Head of Research at OMFIF. Research assistance provided by Brandon Chye, Economist at OMFIF.



**ISABELLE
BÉBÉAR**

Head,
International
and European
Affairs, Banque
Publique
d'Investissement

Dismantling an old bias with new rules

Female-founded startups struggle to raise as much funding as their male counterparts. Several investment funds are taking action.

ACCORDING to a 2018 study by the Boston Consulting Group and Sista, a collective of female entrepreneurs advocating for more investment in women-led companies, startups founded by women are 30% less likely to receive funding than male-owned businesses. Just 5% of the money that French venture capital funds allocate each year to innovative startups goes to female entrepreneurs. And yet female-founded or co-founded startups yield more than double the returns of their male counterparts.

The solution to this problem starts from childhood. Parents should raise their daughters to become ambitious, self-confident women who trust in their ability to be enterprising and shine in the spotlight. And they must teach their sons that women, too, can be leaders. This requires close attention; our education and culture influence our actions, sometimes in a way that is unconsciously counterproductive to the goal of equality.

Schools, from early childhood to higher education, must adapt their teaching methods to their pupils. All children are different, but that is no excuse to question their equal capacity to succeed.

It is important for women to serve as role models and share their experiences with younger generations and encourage them to overcome the limitations they may impose on themselves. We must, however, be open and honest about the sexism women face at work. Female solidarity can help, and several professional networks are carrying out remarkable action to promote parity. These include the International Women's Forum, whose members work to advance gender equality and diversity.

Investor commitments

In this regard, gender quotas have helped increase the number of women on boards at French companies. Since 2011, French law requires French-listed companies to allocate at least 40% of seats on their boards to women. A report published in February 2017 by the High Council for Equality

between Women and Men confirms: 'In the absence of firm legal constraints, co-option strategies between men are perpetuated and the sharing of responsibilities stops at the gates of power.'

There are several actions investors can take. They can recruit more women, particularly for management positions. When allocating funds, they should be mindful not to consciously or unconsciously disadvantage female-led companies.

Bpifrance is a signatory of the best practice charter drawn up by Sista and the Conseil national du numérique, the French digital council. It contains a set of guidelines to help investment funds design recruitment and investment processes that foster gender diversity. Per the charter, by 2025, 25% of all funded startups should be founded or co-founded by women. Signatories have committed to examine the deal flow and measure the gender balance in their portfolio. They will also adopt more inclusive recruitment and investment practices. Finally, they will spread best practice throughout the financial sector.

Bpifrance is leading by example and applying these principles to all of its investment activities, both direct and indirect. ♦

'There are several actions investors can take. They can recruit more women, particularly for management positions. When allocating funds, they should be mindful not to consciously or unconsciously disadvantage female-led companies.'



TAMARA SINGH

Founder, W3
CDD and
Adviser, Include
Consulting

Harnessing investor power

Investment managers are well-placed to foster diversity in the financial sector, by applying a gender lens to their decision-making and engaging with firms that demonstrate a commitment to inclusion.

BY 1 July, Goldman Sachs will underwrite initial public offerings of European or US companies only if they have at least one diverse board member. This requirement will rise to two in 2021. To support the change this will hopefully bring, Goldman Sachs will provide access to its network of board-ready candidates. This is an example of concrete action the investing community can adopt to foster gender inclusion and diversity.

Plenty of research indicates that organisations with diversity programmes perform better. Investment managers are well-placed to catalyse the shift towards more effective and sustainable business models.

One way they can promote inclusion is in exercising their voting rights. A 2019 survey by Boston Common Asset Managers, in collaboration with the Thirty Percent Coalition, found that 75% of respondents had a public proxy voting policy.

Cost sensitivity had previously disincentivised passive investors from engaging actively in corporate governance matters. Collective engagement providers and proxy voting advisory services like Glass Lewis and Institutional Shareholder Services offer an accessible means of determining companies' inclusion credentials. To illustrate the potential impact of the passive investing community: the collective voting power of the three largest exchange traded fund providers was estimated to be 15% of the S&P 500 in 2017.

A more involved action would be seeking to invest in companies that advance women's leadership. This entails conducting due diligence, which could incur additional costs. However, long-term investors should consider the opportunities that appointing female leaders present.

Beyond shareholder primacy

Beyond the impact on a company's performance, a study in academic journal *Organisation Science* found that companies that appointed women to their boards saw a decline in market value for

two years. The appointment of those women was seen as suggestive of a firm's preference towards goals other than increasing short-term returns to shareholders, for which the firm was then temporarily penalised. The sentiment relating to the primacy of shareholder value may be shifting towards a more stakeholder-oriented perspective. However, until this change occurs, a bias in the markets may exist that presents an opportunity.

Investment firm Calvert Impact Capital issued a report outlining their journey towards gender-lens investing. It highlighted the importance of defining the nature of the capital to be invested, and of understanding the level of influence that the capital may bring.

This allows the company to deploy its capital where it is most impactful. To take constructive action, says the report, a firm should engage with portfolio companies and start the conversation within their own organisations.

The Global Impact Investing Network recommends that firms consider gender from pre-investment through to post-deal. Investors can send a powerful signal simply by including gender considerations throughout their processes and requesting information relating to diversity initiatives when conducting due diligence. Trillium Asset Management, for example, requires companies to provide data relating to the diversity of their current executive leadership and their plans to develop balance.

As BlackRock Chief Executive Officer Larry Fink said in his letter to CEOs on the firm's commitment to climate change, 'Awareness is rapidly changing, and I believe we are on the edge of a fundamental reshaping of finance. In the near future – and sooner than most anticipate – there will be a significant reallocation of capital.'

The two-year penalty to firms appointing women to their boards may shift soon. Firms that lack diversity in board and management may see themselves suffer a 'groupthink' discount. There is no excuse for investors any longer. ♦

'Investors can send a powerful signal simply by including gender considerations throughout their processes and requesting information relating to diversity initiatives when conducting due diligence.'

Pensions show promise

+12%
Europe's score
rises to 46.3
from 41.3

In fulfilling their mandate to grow their members' savings ahead of retirement, pension funds can promote gender balance through their investment choices.

PENSION funds have a clear, straightforward mandate to safeguard and grow their members' savings ahead of retirement. In doing so, they have an opportunity to promote gender balance through their investment choices and the policies they set for their members. They may be more likely to achieve this if they are led by a diverse set of decision-makers.

European public pension funds show promising gains in the gender diversity of their own management teams and boards. They score 46.3 on the GBI, up 12% from last year's 41.3. Among the three institution types covered by the index, they have the highest score and show the best improvement.

More women are leading pension funds in Europe. There are 36 female chief executive officers, compared to last year's 31, out of 191 funds. Two of the new female CEOs are in Sweden, bringing up its country total to four. Katarina Staaf was appointed managing director of AP6, ranked third and the highest scoring Swedish fund in the index. Teresa Isele is acting CEO and general counsel of AP1. Despite these developments, Sweden slides to third place from second, with its country score declining to 68 from 83 last year. AP1 and AP3 lose points for having more women than men in both management and board positions.

Pensionskassen for Sygeplejersker og Lægeseekretærer, Denmark's pension fund for state-registered nurses and medical secretaries, scores a perfect 100. It is managed by pensions administrator PKA under the direction of its board. Annegrete Birck Jakobsen is the only female executive director, but the nine women on the 11-person board boost the fund's score.

Among the 19 countries covered by the index, Iceland regains the top spot with a score of 91 after losing first place to Norway in 2019. Harpa

Gender Balance Index score, top 20 pension funds 2020

Rank		Score	AUM \$bn
1	Pensionskassen For Sygeplejersker	100 ▲	20.55
2	Nilgosc	97 ▲	10.08
3	Cayman Islands Public Service Pensions Board	95 ▲	0.84
3	AP6	95 ▲	4.02
5	PKH	94 ▲	3.06
6	London Borough of Redbridge Pension Fund	93 ▼	1.03
7	Tyne and Wear Pensions Fund	92 ◀	11.06
8	Caisse de Prévoyance des Fonctionnaires de Police	92 ▲	1.75
9	AP7	91 ◀	94.70
9	Pension Fund for Nurses and State Employees	91 ▲	7.58
11	Turks and Caicos Islands National Insurance Board	88 ▼	0.21
12	London Borough of Tower Hamlets Pension Fund	86 ▲	1.98
13	Strathclyde Pension Fund	85 ▲	27.78
14	Folketrygdfondet	80 ▲	31.92
14	Guernsey Superannuation Fund	80 ◀	1.74
16	London Borough of Enfield Pension Fund	79 ▲	1.47
17	Isle of Wight Council Pension Fund	75 ▲	0.76
18	Ircantec	73 ▼	11.03
19	Pensionskasse der Stadt Winterthur	71 ▼	2.01
19	Stichting Pensioenfonds ABP	71 ▲	494.84

Source: OMFIF analysis, institutional annual reports

Jónsdóttir was appointed managing director of Lífeyrissjóður starfsmanna ríkisins, Iceland’s pension fund for state employees, driving up its score to 91 from 68 last year. This is the second time that Jónsdóttir has formed part of a top-scoring institution in the index. Before joining LSR, she was director of the Central Bank of Iceland’s financial stability division. The central bank topped the index in 2019 and now occupies third place.

Consistent countries

The two highest scorers, Iceland and Norway, have consistently dominated the GBI for pension funds since 2018. Notably, both countries are also the two most gender-equal countries in the world, based on the World Economic Forum’s Global Gender Gap Report 2020. Gender quotas for corporate boards have long been in place in both.

While Nordic countries tend to perform well on the index, western European countries do poorly. Luxembourg, Germany, Portugal and Austria are at the bottom of the index, with Liechtenstein, Spain and France just slightly ahead. Each of these countries were also in the bottom half of last year’s index.

The Cayman Islands holds the distinction of being the only jurisdiction covered by the GBI where more than one type of institution is headed by a woman, in this case both a pension fund and central bank. The Public Service Pensions Board is led by managing director Jewel Evans Lindsey, while Cindy Scotland heads the Cayman Islands Monetary Authority. Both institutions perform well on the GBI. The pension board scores 95 and is tied with Sweden’s AP6 for third, while CIMA scores 84 and ranks seventh. For pension funds, the PSPB’s score forms part of the UK’s country score.

Balance in and out

As responsible investors with a fiduciary duty to their members, pension funds

have every reason to push for diversity. Sweden’s AP2 has its own index measuring female representation in the Nasdaq Stockholm. Australia’s Hesta Super Fund encourages companies on the ASX to set gender targets. Some American pension funds, including the state funds of Connecticut, Minnesota and Oregon, are calling on companies to disclose gender pay gaps.

Responsibility over their members’ retirement income demands that pension funds consider the existence of the gender gap in pensions. The disadvantage women face throughout their careers becomes more pronounced upon retirement, with women receiving around 40% pension income less than men on average. Women also live longer, which means they are more at risk of falling into poverty late in life.

Pension funds are not liable for the gap, but they can be part of narrowing it by devising policies that improve women’s ability to build up contributions throughout their lifetimes. In the UK, for example, a greater share of women entered workplace pension schemes after the government rolled out an automatic enrolment system in 2012. For smaller pension funds, implementing similar policies may require working with other funds, industry stakeholders and national government bodies to develop standard practices.

Pension funds can have a significant impact on gender balance in business and industry by promoting female inclusion in corporations. They are also ideally placed to influence national legislation and administrative policies that affect gender equity and women’s welfare. Doing so would be aligned with upholding the interest of the public they serve. ♦

KAT USITA, Deputy Head of Research at OMFIF. Research assistance provided by Chris Papadopoulos, Economist at OMFIF.





**DEBBY
BLAKEY**

Chief Executive
Officer, Hesta
Superfund

The key to a healthy bottom line

Research shows diversity leads to improved long-term performance. It is an issue the financial sector can no longer afford to ignore.

THE MORE time I spend in boardrooms and leadership discussions, the more I experience the tangible benefits of diversity. Through my experiences in senior management in financial services and as chief executive officer of an Australian profit-to-member superannuation fund, there is no doubt that diverse boardrooms and diversity in business leadership are vital for positive business and social outcomes.

Organisations are realising more than ever the value of prioritising diversity and equality. Not just for their employees, but because it impacts the long-term performance of their businesses. Diversity and inclusion lead to better decision-making and stronger performance. They give us a competitive edge as a fund, helping attract top talent.

Gender diversity sits at the heart of decision-making across every area of our business. This approach spans our actions as an employer, and throughout our supply chain, including our external investment managers and the companies in which we invest.

This benefits our members, 80% of whom are women, either through enhanced returns, lower fees or improved products and services. Our mission is to make a real difference to the financial future of every member.

Real impacts

For many Australian women and Health Employees Superannuation Trust Australia members, the government age pension will be their main source of retirement income. Improving gender equality has real impacts on their future, whether that is through more opportunities and choice at work or more money in their retirement account.

It's important as an organisation we live the change we want to see. We aim to have equal representation of women on our trustee board. More than half its members are women, including our independent chair, and half of our senior

executive are women. Australia's government body for gender equality gives us its highest endorsement as an employer of choice and we work exhaustively to ensure we have no gender pay gap.

There is much to do to improve gender diversity in Australia. Last year, only 12 chief executive officers in the ASX 200 were women. We are firmly committed to ensuring boards have a minimum of 30% women directors. We have engaged with all ASX 200 companies, calling for them to set clear targets – with timeframes – for the number of women in their senior executive ranks.

We have also surveyed 70 of our Australian and international investment managers on gender diversity across a range of roles in their businesses. We believe diversity is an accurate indicator of a well-run company, more likely to deliver strong performance results. And we want to encourage this diversity benefit in our investment partners.

The steps we have taken are about opening a dialogue with our investment partners to better understand their approach to gender diversity. We want to look at their initiatives to improve gender diversity and how they champion this in their teams. We also plan to share ideas and case studies and find out what's working for them. And together, we will share these learnings with the broader funds management industry.

Gender equality isn't a corporate fad; it is an issue the financial sector can't afford to ignore. The view that there aren't enough capable women to fill board positions and senior leadership roles must be challenged, and companies should take measurable action to achieve change. Diversity needs to shift from the corporate social responsibility plan to be a fundamental part of a business's strategy, underpinning strong governance, talent identification and culture. Research shows the result will be better long-term performance and stronger returns for shareholders. ♦

'Last year, only 12 chief executive officers in the ASX 200 were women. We are firmly committed to ensuring boards have a minimum of 30% women directors.'



EVE READ

Director,
Nest Corporation

The other pay gap

Beyond the gender pay gap, women are at a disadvantage when it comes to their pension. However, there are ways pension schemes can help bridge this divide.

ACCORDING to a European Parliament study, the gap between the pension of the average man and woman across Europe is 40%. Yet the gender pay gap is 'only' 16%.

An individual's pension is generally a function of income, years of paid work, percentage of income invested, investment growth and the impact of any pre-retirement balance withdrawals. Additional factors of retirement age and longevity will impact whether, in combination with any state provision, total savings provide an adequate pension in retirement. Almost all these factors disadvantage women.

It is not just the disparity between male and female average hourly pay that impacts income, but also the number of hours of paid work undertaken. In all of the 34 Organisation for Economic Development and Co-operation member countries, more men than women work full-time. Across the European Union and the UK, 8.7% of men work part-time, compared with 31.3% of women. Even without an hourly pay gap, this difference in working hours would produce a lower annual retirement income for the average female. Cumulatively the impact is significant.

In many cultures, women continue to take the leading role in caring for family – not just the young but increasingly the old too (even for a partner's family members) – which limits the number of years during which they can participate actively in the paid workforce.

Investment growth does not impact an individual's first pillar state pension provision or defined benefit plan, but for the predominant form of defined contribution or private pension plans, investment growth impacts greatly the size of an individual's pension pot at retirement.

Women tend towards higher risk aversion than men, leading them to take lower growth strategies. This may in part be driven by a desire to protect their lower starting balances, but it may also show how financial confidence and understanding influence risk-taking.

Improving financial understanding through education can have positive outcomes – namely helping women to understand the challenges that might be specific to them and building confidence around financial decision-making. Unfortunately, many studies prove that traditional forms of financial education do not create behavioural change.

However, there are ways to ensure education is more impactful. One solution is using language that does not exclude a female audience. Technology can help improve the impact of communications through personalisation and timing to coincide with life events. Another way is implementing good practices like the removal of all pension jargon from communications.

Targeting equality in pensions

Given the complexity of pensions, the present state of financial literacy and the importance of decision-making, pension schemes should, where possible, make decisions on behalf of their members that they believe to be in their best interests. Pension funds can, for example, implement an investment strategy which takes appropriate levels of investment risk at specific stages of life, or automatically escalate contributions to higher levels.

Pension schemes cannot create equality in pension systems without collaboration. Working with industry bodies, pension schemes are well placed to identify existing issues and influence policy-makers for change. Pensions schemes should seek to remove structural barriers, particularly those that limit access to pension provision. They should ensure continued rights to pension accumulation throughout periods of caring leave, as well as the ability to overpay without tax implications before or after extended leave. And they should work towards greater equality in family caring leave, and pay parity both across full-time and part-time hourly rates. ♦

'Improving financial understanding through education can have positive outcomes – namely helping women to understand the challenges that might be specific to them and building confidence around financial decision-making.'



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