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THE OTHER HALF

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Women are underrepresented at every level of the finance industry, if we want to improve equality, we must look beyond the boardroom.

There is no shortage of evidence that women are underrepresented in finance. And there is ample quality research showing that this underrepresentation holds the sector back, arguably causing damage to the wider economy. But just talking about the issue in terms of the percentage of women in leadership roles and the proven benefits of greater diversity is not enough. Dig a bit deeper and it's hard to avoid the question: how long can we continue to claim to have an advanced economy when half of the population is disengaged from the financial industry?

That may sound bold, so let's start with a quick recap of the facts for any readers somehow still not up to speed with the issue.

Worldwide, fewer than one in fifty financial institutions has a female CEO and less than 20% of executive board members are female[1]. There are only nine female CEOs among FTSE 100 companies, and of the 413 women on FTSE 100 boards, 91% are in advisory Non-Executive Director roles[2].

According to the IMF, a more gender-balanced board leads to more diversity of thought, which in turn leads to better business decisions. Which all results in a better bottom line. This isn't just speculation: there is a direct correlation between the presence of women in top positions and good management[3].

Discriminatory hiring and promotion practices are robbing financial institutions of the talent that they need if they are to compete and succeed. And I'm not just talking about female talent here, the best candidates, those that can pick and choose who they work for, are likely to choose to work for institutions that align with their own personal values[4]. Therefore, young, open minded and forward-thinking people of any gender are less likely to want to lend their talents to an organisation where they see underrepresentation and a lack of diversity.

The symptoms of the problem are clear.

But what are the real causes, where does underrepresentation of women start? At the US's prestigious Ivy League universities, 46% of students at Harvard Business School[5] and 52% of those at the Wharton School of the University of Pennsylvania[6] are women. Taken in isolation, those figures appear to paint a rosy picture of the future for women in finance. However, women make up only 16% of faculty members on MBA programmes at top US business schools[7]. So, here is one possible reason for the gap between the number of female graduates and the number of female CEOs: lack of mentors and role models.

Finance is a historically male-dominated field, where there is an established culture of promoting men over equally or better qualified women and where there is a pronounced pay-gap between men and women in equivalent roles[8,9]. In such an industry, breaking the glass ceiling is a lot harder when you're on your own. With proportionally fewer female teachers and even fewer female bosses carving out a path to follow, the task is doubly hard. There is a vicious cycle in which a shortage of role-models results in fewer opportunities for women to become the next role-model.

There are initiatives that aim to counter this problem through mentoring, such as the 30% Club[10]. **The 30% Club is a campaign that aims to increase the number of women on boards around the world.** More than **1000 chairs** and **CEOs** in over **20 countries** have signed up to the 30% Club, pledging to reach **30% female representation** on their boards.

But I would argue that in just focusing on women in executive positions we are still treating a symptom, rather than the cause of the malaise. Female participation in finance is lower not just at board level, not just on regulatory bodies, not just in prestigious educational institutions, but at the grass roots, too. Women make up a smaller proportion of borrowers, they make up a smaller proportion of depositors and the gender pay gap is pervasive across industries and regions[11]. Women are underrepresented in their engagement with financial services from top to bottom, at every level of the industry. Therefore, inequality in top finance jobs cannot and should not be addressed in isolation but in relation to inequality in society as a whole. After all, finance and society are intertwined. A holistic perspective helps us better understand that more financial equality throughout society encourages economic stability and stimulates growth.

When we observe how European economies compare with emerging economies in this regard, we get some interesting insights. The region with the highest share of female banking executives is Sub-Saharan Africa. Latin America and the Caribbean have the lowest, while 'advanced' economies score somewhere in the middle. This suggests that 'advanced economy' may be a misnomer here, given that according to the IMF "Banks with higher shares of women board members had higher capital buffers, a lower proportion of nonperforming loans, and greater resistance to stress"[3].

Is equal representation for women at every level of the economy – from consumers to small business owners to CEOs – a realistic goal, or are we asking for too much? Baroness Helena Morrissey, Founder of the 30% Campaign, has recounted an incident where a FTSE chairman told her that the 30% campaign was "trying to destroy British business"[12]. Clearly, efforts to reach equality continue to face aggressive resistance from some quarters. A lot of cultural shifts will need to take place if we're going to see the kind of changes that are required.

Will such upheaval be worth it? It depends on whether we want to hold on to that title of 'advanced economy', or if we want old-fashioned attitudes to weigh us down while other more forward-looking economies take the lead. The most competitive economies in the future will be those that harness the available talent domestically and attract the best talent internationally. To make sure we remain competitive, change at the top driven by advocacy for more female CEOs and CFOs will be important. But bottom-up, grassroots change, challenging regressive attitudes while acting as mentors to those who follow us, will make the bigger difference in building a culture that will finally enable real gender equality.

1 https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2018/09/17/women-in-finance-a-case-for-closing-gaps-45136
2 https://www.thisismoney.co.uk/money/markets/article-11400351/Only-nine-FTSE-100-companies-currently-female-bosses.html
3 https://www.imf.org/en/Blogs/Articles/2018/09/19/blog-women-in-finance
4 https://the-cfo.io/2018/11/20/fd-women-in-finance-drives-debate-on-female-leadership/
5 https://www.hbs.edu/mba/admissions/class-profile/Pages/default.aspx
6 https://mba.wharton.upenn.edu/class-profile/
7 https://www.umass.edu/news/article/new-research-shows-gender-gap-finance-faculty-top-business-schools
8 https://www.investopedia.com/articles/investing/092315/why-are-so-few-women-finance-its-complicated.asp
9 https://www.destatis.de/Europa/EN/Topic/Population-Labour-Social-Issues/Labour-market/gender_pay_gap.html#:~:text=Among%20the%2027%20EU%20 countries,%25)%20and%20Slovenia%20(3%25).
10 https://30percentclub.org/mentoring/
11 https://www.statista.com/statistics/934039/gender-pay-gap-select-countries/
12 https://the-cfo.io/2018/11/20/fd-women-in-finance-drives-debate-on-female-leadership/

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