



Gender in Finance : Why Diversity Matters



Jean Hilgers

Director, National Bank of Belgium

ABSTRACT

This is the introductory speech given by Jean Hilgers at the Belgian Financial Forum Colloquium “Gender in finance: why diversity matters” in Brussels on June 17, 2019

INTRODUCTION

Ladies and gentlemen,

It is a pleasure for me to open the Colloquium, co-organised by Women in Finance, Women on Board, Febelfin and the Financial Forum dedicated to the “GENDER IN FINANCE” topic, with a clear claim: “WHY DIVERSITY MATTERS”.

Diversity is a multifaceted concept that can be addressed through many lenses. I will touch upon three of them.

First of all, to clarify that promoting diversity in organisations is not just a question of ‘rights and fairness’, but also a way of improving efficiency.

Second, I will focus on *gender* diversity and give you some stylised facts about the Belgian labour market. I will also express some thoughts about policies that could foster gender



diversity, not surprisingly often inspired by the experience of Nordic countries, like Norway or Sweden.

Third, as a member of the National Bank of Belgium's Board, I will summarise the steps we have taken to promote diversity, and gender diversity in particular, within the Bank.

DIVERSITY? WHY SHOULD WE CARE ?

Etymologically, diversity is a concept related to heterogeneity, plurality or variety. In 1990, 9% of the population living in Belgium had been born in another country. Thirty years later, this percentage has doubled. In 1990, the share of women with tertiary education was markedly lower than this of men, now the opposite is true. Population is more mobile, better educated and more diverse than 30 years ago.

But, the labour market does not always adequately reflect this transformation. Today, there are still sizeable differences between employment rates of different groups of the population. The employment gap between older workers (aged 55-64) and middle-aged workers (aged 30-54) in Belgium is about 31 percentage points. In the EU, this gap is about 23 points (*BE older workers: 50.3%, BE aged 30-54: 81.3%. EU: 58.7% and 81.4%*). Belgium scores also badly in terms of employment of non-EU citizens. The employment rate gap between non-EU citizens and Belgian citizens amounts to 28 points, which is, next to one, the highest gap within the EU. (*Employment rate Belgian citizens aged 20-64: 71 %, Non-EU citizens: 43.4 %*)¹. These difficulties can have different drivers and they also differ from group to group. For example, the lack of access to our labour market for foreign-born people is often regarded as a problem of discrimination, and it is certainly partly true. But other factors play a role as well. There is also a skills mismatch between the labour supply and demand.

Then the economy is changing too. In particular, the financial sector is in the middle of the digital revolution and many of us are already confronted with its challenges. Some

¹ In terms of employment rate gap between gender, the gap [for persons aged 20-64] amounts to 8 percentage points in Belgium, against 11.5 points for the EU as a whole. The gap is much smaller in Norway (5.2), Sweden (4.3), and Finland (3.7) as well as in the Baltic countries.



professions will disappear and the content of most of them will change drastically in the coming years requiring new sets and new combinations of skills. These adjustments are not new but the pace at which this is taking place has got faster, because of globalisation and technological change.

Besides, in most sectors, there are clear signs of labour shortages and the number of hard-to-fill vacancies is growing in all our regions. Hence, boosting diversity on the work floor is both a question of social justice and a business imperative to make sure that all talents are used. But that is not always an obvious assignment. None of us are independent of the society in which we live and work, and its social norms. As managers and supervisors, we are affected by these social norms, through our behaviour, the decisions we take, the regulations we help to put in place. Changing norms is sometimes a necessity. Raising the awareness on the diversity issue by this Colloquium is a first step in the right direction.

There is also a case for boosting diversity in organizations thanks to the *cognitive dimension it can offer*. The inclusion of people with different backgrounds, different ways of thinking, different paradigms in a team or a business can often help to come up with original solutions. It makes it possible to curb herd behaviour and homogeneous group thinking, which are seen as the roots of many problems that we have experienced in the past with bank runs, stock market crashes, housing bubbles, and so on... Many market simulations² have evidenced that ethnically diverse groups price assets more accurately because people are less susceptible to copying each other's mistakes. Nevertheless, managing diversity can also be a challenge

However, it brings its own issues. Differing cultural background can make it harder for teams to bond and can lead to friction and misunderstandings. For example, a recent field study³ from Bradley international found that people share information more readily with colleagues of the same nationality or at least from culturally similar nations. Changing mentalities and habits is a must and requires leadership and determination. So, it is definitely worth clearing the hurdles.

² Sheen S. Levine, Evan P. Apfelbaum, Mark Bernard, Valerie L. Bartelt, Edward J. Zajac, and David Stark (2014), "Ethnic diversity deflates price bubbles", *Proceedings of the National Academy of Sciences of the United States of America*.

³ For a review, see for example Lewis R. (2018), *When Cultures Collide: Leading Across Cultures*, 4th edition, Nicholas Brealey International.



THE GENDER DIMENSION OF THE BELGIAN LABOUR MARKET

I will focus now on the very topic of our colloquium, the gender issue.

In this country, last year's figures tell us that 44,5 % of adult women (aged 25-64) have completed higher education, compared to 37 % of men. In the EU as a whole, these proportions are 34,5% and 30% respectively. In many countries, not only in Belgium, women are now more educated on average than men and performed better at university or at colleges. This has resulted in a significant increase in the female employment rate over time, but it is still lagging behind that of men (M: 73.9% F: 65.5 %, aged 20-64).

Because we see that there are some entrenched gender gaps in education. Women are still under-represented in the fields of science, technology, engineering and mathematics (STEM fields). This education gap has lingering effects on women's chances further on in their career.

There is clear evidence that the roles within the family, even today, remain highly gendered: women continue to take on a greater share of household and child-related tasks, even when they have a full-time job.

To illustrate this, look at the difference between male and female employment rates in function of the number of children. For Belgium, for adults with no child, the employment rate gap between men and women is about 6 percentage points, for families with one child, it is about 12 points, and for families with three children and more, the difference in employment rate is in excess of 20 points [all these figures are for persons aged 15-64]. The gap is systematically disadvantageous to women. This pattern is observed with some varieties in the vast majority of EU Member States.

The lower participation of women to the labour market can also be explained by other factors: such as living status: single women suffered an even lower employment rate as they are often more constrained than people living together.

When we look at wages, in 2017, women working in the EU earned 16 % less than men if we compare their average gross hourly earnings. However, it is significantly lower in Belgium where it amounts to 6 %. Part of this pay gap can be explained by objective



difference in terms of age, education, occupation, industry affiliation, share of part-time or temporary employment, firm size, or employment in private versus public sector⁴.

But after controlling for these factors, we see that 2/3 of this wage gap is still unaccounted for, which is material. Even though women work currently in all occupations that formerly were 'all-men', their share within some occupations is still minor, for example, as construction workers, engineers or ICT professionals. On the other hand, a number of jobs remain clearly dominated by women, namely pre-primary education, nursing, personal care and domestic work⁵, a majority of lower paid jobs.

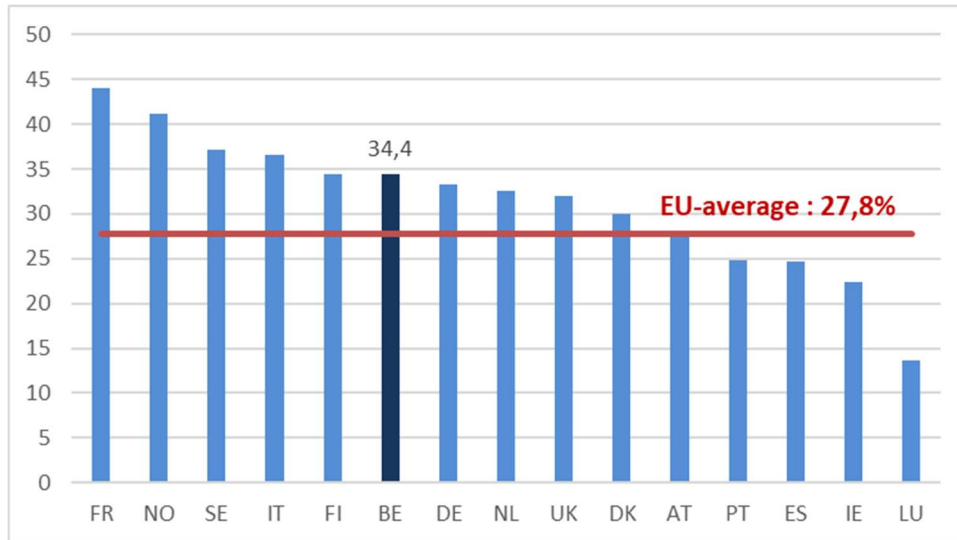
The most critical point in terms of gender diversity is that women remain under-represented in high-status/high-income jobs and, even when they are represented in these occupations, they usually earn less than men. In many cases, the "glass ceiling" is still alive and a sticky issue.

Moreover, one possible reason is that the pattern of careers of top professionals has hardly changed over time, with a kind of "fast track", meaning that the efforts have to be heavily concentrated from the very start of the career, with a low tolerance for job interruptions. Another possible driver is, top positions often mean very long hours on the work place, a lot of travelling, etc. All these factors can play against women with family responsibility. What can we do here?

⁴ European Commission (2018), 2018 Report on equality between women and men in the EU, Brussels.

⁵ European Institute for Gender Equality (2017), Gender segregation in education, training and the labour market, Brussels, November.

Chart 1 - Representation of women on the boards of the largest listed companies in the EU, 2019 (%)



Source: European Institute for Gender Equality, Gender Statistics Database.



On this, we can take inspiration from Scandinavian countries, which have been successful in applying a broad set of measures to help instill diversity at all levels of organisation.

- 1) Encourage girls to choose for STEM fields... but this goes with making these STEM fields more attractive for women and, more generally, to allow for better flexibility for secondary school pupils to change their core subjects, to organize their studies more freely, etc.;
- 2) To encourage family-friendly policies (by offering alternative work arrangement, including the option to work part-time, shorter hours on the work place, to work remotely etc.) and gender-neutral childcare (introduction of dedicated paternity leave, etc.)
- 3) To increase the share of women in top positions and decision-making bodies. One way to achieve this goal could be affirmative action-type policies (quotas and more gender diversity in senior management). While many countries around the world have gender quotas in the political system, gender quotas in the private sectors of work have not been commonplace. Yet in recent years, many European countries have introduced gender quotas in the corporate sector. The first quotas for women in business were introduced in Norway in 2003, with a law requiring 40 percent representation of each gender on the board of directors of public limited liability companies. Following Norway's lead, Belgium⁶, France, Germany, Italy and Spain have all passed similar reforms. The effects of these reforms are still to be evaluated⁷.
- 4) Many trends are moving in the "right direction" for women, some very quickly (education) and some more slowly (such as the declining conservativeness of gender norms).

(GENDER) DIVERSITY AT THE NATIONAL BANK OF BELGIUM

Some might think that it is a big challenge for the National Bank to host the Colloquium dedicated to gender diversity, conscious that the Bank has been recently singled out for its failures in this field.

⁶Law of the 28 July 2011: Loi modifiant la loi du 21 mars 1991 portant réforme de certaines entreprises publiques économiques, le Code des sociétés et la loi du 19 avril 2002 relative à la rationalisation du fonctionnement et la gestion de la Loterie Nationale afin de garantir la présence des femmes dans le conseil d'administration des entreprises publiques autonomes, des sociétés cotées et de la Loterie Nationale.

⁷ For an evaluation of the Norwegian situation, see Marianne Bertrand, Sandra E Black, Sissel Jensen, Adriana Lleras-Muney (2019), « Breaking the Glass Ceiling? The Effect of Board Quotas on Female Labour Market Outcomes in Norway », *The Review of Economic Studies*, Volume 86, Issue 1, January 2019.



I will say that we rather see this as an opportunity. An opportunity to tell you how much this subject has become high on the agenda of the Bank in the last two years. Quite late I confess, but still well before the headlines in the newspapers. For too long we believed that the question of diversity would resolve itself over time with generational flows. And taking a look at the figures, the Bank was obviously not on the right track. To say it clearly, professional women only account for 35 % of the Bank's population. And the percentage was even much lower, (below the 10 %) at the top management level. Also, in international committees and working groups, women are underrepresented. And if we looked at the recruitment pipeline, things were not going to change anytime soon, as recruiting women also seemed to be a problem.

The Board, driven by the desire to seriously tackle this issue, mandated a mixt group of employees to work on proposals unconstrained to improve gender equality. 6 months later, to anchor the multiple initiatives set out by the working group and translate them concretely in a binding action plan, a governance structure composed of a diversity manager and a diversity council was set up, so as to make sure that it could be done in a structural way.

Today, we have set quantitative targets in terms of percentage of women in the workforce and more particularly in management positions for 2025 and, as I speak to you here, targets in terms of promotion and recruitment are already in force.

Even though they are clearly second best, we are convinced that these targets are needed to force the change. But ultimately, beyond quantitative objectives, what matters is to create within the Bank an open environment that offers all employees, women and men, irrespective of their background, the opportunity to give the best they can offer. . And that's what our action plan for Diversity and Inclusion is aiming at with a wide range of granular measures, for example:

- trainings to avoid unconscious biases in our HR processes;
- a more flexible organisation of work whatever the hierarchical level;
- a clear reference to the gender dimension in the recruitment, promotion and talent identification;
- support to women in the form of training, mentoring, networking, ...

But above all, it is the corporate culture and the management style that we want to change towards more inclusiveness.

In any case, it will be a long path, but we have a clear motivation to succeed. The reason is plain to see: never before have central banks faced so many changes: Never before have central banks been confronted with so many changes regarding monetary policy, with the



current accommodative stance and some possible ways to exit it. It will require some novel way of thinking.

Equally, the substantial amount of new regulations enforced since the GFC have profoundly affected our supervisory approach. And that as well requires some revisiting of our existing practices and process. How could we reinvent ourselves without having all talents, male and female on board? Without diversity of thoughts, approaches and sensibilities? Without creativity? Without collective intelligence?

CONCLUSION

Ladies and gentlemen let me conclude.

Diversity, be it gender, cultural or any other type of diversity, is a question of social justice, but also a way for firms and organisations to become more innovative, more creative and more efficient.

Diversity is combining different point of views, which is also the objective of the Belgium Financial Forum. It was important for us to bring together people from the financial world with experts in gender diversity

I truly hope you will find this fruitful, insightful and interactive.