

Mind the Gap: Addressing Gender Imbalances in Leadership (and a Case for Paternity Leave)

Author

Sheila Judd

Executive in Residence at the Global Risk Institute in Financial Services



GLOBAL
RISK
INSTITUTE

This paper includes an examination of the risks associated with continuation of the workplace gender gap, and the rewards for firms that achieve gender diversity. It makes a case for dedicating a portion of parental leave exclusively for men, on the basis that gender equality at home is a prerequisite for gender equality at work. Other recommended actions to foster gender equality are also included.

Recognizing that personal choices also play a factor, the goal is not necessarily for women and men to have identical representation in the workforce; rather it is to enable women who want or need to participate in the workforce to do so on an equal footing with men.

Overview

At the firm level, leaders who do not address the gender gap risk being outperformed: studies¹ show that firms with more senior women perform better financially; firms that proactively hire and develop women will be better positioned to manage the future labour force impacts of our ageing population; and they will also build a reputation as leaders, an advantage when recruiting and retaining talent.

Closing the gender gap is more than a societal “nice to have”. It is imperative for the future success of our economy given our ageing population and declining productivity: more than ever, we need a strong, engaged work force with talented leadership in order to prosper. We cannot afford to ignore an untapped resource pool.

“The world is facing an acute misuse of talent by not acting faster to tackle gender inequality, which could put economic growth at risk and deprive economies of the opportunity to develop.”²

Important steps are being taken to address the gender gap at work, with policies and programs being implemented to facilitate women’s participation in the labour force. While there is still more that needs to be done, change on the home front is equally necessary to facilitate closing the gender gap at work. Without equal sharing of family care and domestic responsibilities, we risk continuation of gender biases that will impede progress towards gender equality at work. Further, continuation of the double burden of work and home will hold some women back.

Implementation of dedicated parental leave benefits for men is an essential part of the solution. Through paternity leave, men will develop an enhanced sense of responsibility for being active co-parents, and they would learn to co-manage the household. They will also better appreciate that responsibilities need to be shared equally when both parents are working. At work, if both men and women take parental leave and share in responsibilities for the family and household, women and men will be on equal ground.

The rewards for increasing women’s labour force participation are clear: improved financial performance at the firm level and economic prosperity more broadly. At home, equal sharing of

responsibilities will lead to better relationships, better outcomes for children and enhanced career options for both men and women.

“The 30% Club welcomes the Global Risk Institute’s spotlight on the risks for organisations of not addressing the gender gap and the recommendations put forward to close it. Achieving gender balance is a business issue, not a social one and leaders need to be made accountable for this like any other business objective. This paper’s focus on the uneven burden of caring responsibility and its negative impact on the career prospects of women is a critical piece of the puzzle that needs to be addressed if we are to change societal norms and make meaningful, sustainable progress within the workplace. It’s not enough to change the rules, systems and processes to ensure equal opportunity for women - societal and organisational cultures and attitudes have to evolve alongside that too”.

Brenda Trenowden, Global Chair, 30% Club

The Numbers

Our population is ageing:

- According to the International Labour Organization, by 2050, two billion people will be aged 60 or over.³
- The Organisation for Economic Co-operation and Development (OECD) estimates that over the next 50 years, its member countries will see a steep increase in the share of elderly persons in the population, as well as a steep decline in their prime working-age populations.⁴

The ageing population will result in labour force gaps, and if not addressed, our economic prosperity will likely suffer.

Women represent an under-utilized pool of qualified labour. While more women than men are pursuing post-secondary education, women’s participation in the workforce lags that of men:

- An average of 57% of first time graduates from tertiary education (Bachelor’s or equivalent degree level) were women (Canada 60%).⁵
- Employment rates for women with post-secondary education average 81% whereas the employment

rate for men is 89% (Canada: 82% for women and 90% for men).⁶

A study by McKinsey and Company [5] notes that while women make up half of the world’s working age population, they generate only 37% of GDP. The study estimates that if women were to play an identical role to men in the labour market⁷, annual GDP could be as much as 26% higher (\$28 trillion), by 2025. A PwC report [6] estimates that Canada’s GDP could grow by C\$105 billion by closing the wage gap and increasing female labour force participation.

Further, women’s representation is particularly low in senior leadership positions, even though reports show that companies with more women in leadership roles perform better financially:

- A Credit Suisse Research Institute report [2] found that in 2013, women held 12.7% of board seats (Canada: 15.9%) and 12.9% of senior management positions (Canada: 16.7%).⁸
- A report from Catalyst [1] found that companies with higher representation of women board directors had, on average, higher returns on equity, returns on sales and returns on invested capital:
 - **Return on Equity:** Companies with the highest percentages of women board directors outperformed those with the least by 53%.
 - **Return on Sales:** Companies with the highest percentages of women board directors outperformed those with the least by 42%.
 - **Return on Invested Capital:** Companies with the highest percentages of women board directors outperformed those with the least by 66%.
- The report by Credit Suisse Research Institute [2] also found that companies with higher female representation at the board level or in top management positions had, on average, higher returns on equity and higher valuations:
 - **Return on Equity:** Companies with at least one woman on the board had an average adjusted return on equity of 14.1% whereas companies with no women board members had an average return on equity of 11.2%.
 - **Price to Book Value:** Companies with at least one woman on the board had an average adjusted price to book value of 2.3x whereas companies

with no women board members had an average price to book value ratio of 1.8x.

In short, increasing the participation of women in the workforce and addressing the gender gap in senior leadership are important for financial success at the firm level and for economic prosperity more broadly.

Addressing the Gender Gap at Work

A lot has been done in recent years to highlight the gender gap in leadership roles. Numerous articles have been written, studies have been done, and reports have been issued, all promoting the benefits of having more women on boards and in senior management positions. In short, gender diversity leverages the differences in communication and problem solving approaches between men and women, leading to improved critical thinking and problem solving as well as creativity and innovation. More tangibly, studies show that firms with more women in leadership roles perform better financially.

To prompt change, many organizations have shown a willingness to support women in the workforce by enhancing policies, expanding flexibility, providing diversity training, and introducing mentorships and sponsorships. Yet there has not been a meaningful reduction in the gender gap.

Either the risks associated with gender imbalance are not properly understood, or there is insufficient effort to change.

The Risks

In addition to risking being outperformed financially, companies that do not address the gender gap by proactively attracting, hiring, developing and promoting women are heightening their risk of having sub-optimal leadership talent in the future. They also risk negative publicity for inaction which could affect hiring and retention of talent, and they miss out on an opportunity for a competitive advantage.

Leadership talent: Our country's population is ageing, and the retirement of baby boomers will lead to labour force gaps. Further, if the gender gap continues, there will be fewer experienced and qualified men to fill senior roles in the years to come. Operating with a gender bias, developing and promoting primarily men for senior roles, could lead to less effective leadership because a large segment of potential talent is being ignored. Firms that ignore the opportunity to get more women into leadership roles now could be

undermining the future success of their organizations. Firms that recognize the need to develop women to be future leaders will have a stronger candidate pool for these roles.

Reputation risk: Firms that lag in efforts towards gender equality may attract negative publicity, causing damage to their reputations. For example, the Ontario Securities Commission requires publicly traded companies to disclose representation statistics by gender and action plans to address the gender gap. Negative publicity as a result of gender gap issues may put these firms at a competitive disadvantage, particularly when hiring, but also when looking to retain employees. Companies that do not value both men and women will not be attractive to tomorrow's top talent.

Missed Opportunity for Competitive Advantage: Organizations that proactively address the gender gap by acting now will have a competitive edge over those that do not. They will have laid the groundwork for success for both men and women through policies and accommodations that recognize equal sharing of responsibilities at home. They will be developing a broader, more diverse pool of employees, where the best and brightest can advance and become leaders, contributing to the future success of their firms. They will be recognized for their leadership and in turn will be able to attract and retain top talent.

Driving Change

Recognizing the risks to future success and the benefits and economic value of gender diversity should compel business leaders to act now. However, the benefits are longer term and performance gains may not be directly traceable to a reduction in the gender gap. Therefore, to ensure action, firms should make improved corporate performance through gender diversity a strategic imperative; they should implement specific, clear and measurable goals for gender diversity in order to evaluate performance and directly link the performance measures to compensation.

Achieving a Better Balance at Home

Change in the workplace, however, will not be enough if women who work outside of the home remain primarily responsible for the household work. Achieving a balanced sharing of domestic and family care responsibilities is key to enabling women to participate fully in the labour force.

While there has been meaningful progress in the sharing of childcare and household responsibilities over the years, in many cases women still carry the primary responsibility for the children and home. This puts women who want or need to work at a disadvantage: not only do women have the challenges associated with managing the double duties of work and home, they also face employers who question their commitment to the workplace. Managers who know women are shouldering a double burden may pass them over for career advancement opportunities as a result. They could also see women of child bearing age as less desirable and place them at a disadvantage on the expectation that they would be taking maternity leave in the future.

In order to allow women to fully commit to their careers and be seen and treated as equals at work, men and women need to be 50/50 partners on the home front.

There are good reasons for men to step up: better, more meaningful relationships and happier, healthier children (there are studies show early engagement by fathers is a key factor for almost every indicator of success). Also, men whose partners are fully engaged and committed to their careers will be able to share equally the responsibility for the family's financial wellbeing. This will afford men more flexibility in their career choices as they will no longer shoulder the responsibility of being the primary breadwinner.

But for some men, the benefits might not be tangible enough to offset the allure of maintaining the status quo, or to counter the cultural bias against men taking on domestic duties. Further, some men may fear becoming less desirable at work, hampering their ability to rise in their careers. To overcome these challenges, we need to make domestic partnerships, where men and women share equally in family, financial and domestic responsibilities, with equal commitment to careers, the norm.

Dedicated parental leave for men is an essential part of the solution and a good starting point. Reserving a portion of parental leave benefits solely for fathers, wherein the weeks would be lost if not taken by the father (and not transferrable to the mother), would provide an incentive for men to be more involved in caring for their newborn children. Through paternity leave, men will develop parenting skills and a sense of responsibility to be active co-parents, rather than assistant or back-up parents, and men will learn to co-manage the household as well. They will also better

appreciate that responsibilities need to be equally shared when both parents are working.

“By drawing fathers into the daily realities of childcare, free of workplace constraints, extended time off provides the space necessary for fathers to develop the parenting skills and sense of responsibility that then allows them to be active co-parents rather than helpers to their female partners. This shift from a manager-helper dynamic to that of co-parenting creates the opportunity for the development of a more gender-equitable division of labour.”¹⁰

Further, if it were the norm for both men and women to take parental leaves, firms would have no reason to disadvantage women of child bearing age due to the risk of them taking time off for childrearing. The expectation would be that both men and women would take advantage of parental leaves.

The concept of legislating parental leave for men is not new - more than 70 countries offer paid parental leave for fathers. Finland, Iceland and Slovenia offer the longest paid leaves, at 90 days. Norway reserves 14 weeks of parental leave for fathers, and Sweden extends the overall parental leave length where men take a significant portion (two months) as an incentive for men to participate. Portugal actually mandates 10 days of paid parental leave for men [6]. It is no coincidence that these countries have higher rates of participation of women in the workforce.

Closer to home, Quebec offers a five week paid paternity leave that is not transferable to the mother. When this was implemented in 2006, fathers increased their participation in parental leave by 250%. Further, in households where men used this benefit, fathers' daily time spent on household work was 23% higher, long after the period ended.¹¹

The Path Forward

Increasing women's participation in the workplace is essential for economic prosperity. Firms that are leaders in addressing the gender gap, and in particular for leadership roles, will have a competitive advantage in terms of financial performance and their ability to

attract and retain top talent will be enhanced. They will avoid the risks of suboptimal performance, future leadership gaps and the potential for reputational damage.

To achieve gender equality at work, we need men and women to be partners in family care and domestic responsibilities. Equal sharing of family and domestic responsibilities is key to putting women and men on equal footing at work so that women are not carrying a double burden, or being viewed as less committed to their careers.

Legislative changes that give men an incentive to take parental leave are a key element to facilitating change on the home front. Paternity leave will engage men in parenting and household management and set the stage for equal sharing of responsibilities when both parents are working.

Women also have an important role to play. Women must allow, encourage and expect their partners to behave like partners. Further, women need to be prepared to share the financial responsibility for the family. Women do not have a unique formula for successful parenting or household management, nor do men hold the ultimate responsibility for providing for the family. Couples need to agree on a partnership approach and be supportive of each other at home and in respect of their personal and career goals.

Organizations need to continue to develop and enhance their policies and programs to support their employees, both male and female, recognizing that both men and women share in family care and domestic responsibilities. Leaders must promote a supportive work environment for both genders.

Leaders and organizations need to be held accountable for closing the gender gap. They need tangible goals, linked to compensation. Companies that are not making sufficient progress need to be called out.

The business case is clear and the time to act is now.

End Notes:

1. Studies include The CS 3000: Women in Senior Management, Credit Suisse Research Institute, September 2014, and The Bottom Line: Corporate Performance and Women's Representation on Boards, Catalyst, 17 October 2007.
2. The Global Gender Gap Report 2016, World Economic Forum.
3. A changing world: Adapting to an ageing population in the workplace, International Labour Organization, December 2011.
4. Anticipating Population Ageing – Challenges and Responses, OECD Labour Force Statistics 2015, OECD Publishing, 4 March 2016.
5. Education at a Glance 2016: OECD Indicators Report, Table A3.3.
6. Education at a Glance 2016: OECD Indicators Report, Table A5.6.
7. The McKinsey study considers equal participation as equal labour-force participation rates, hours worked, and representation within each sector.
8. A March 2017 report by the talent management firm Rosenzweig & Company indicates that in 2016 women represented 20% of Board members and held 9% of named executive roles at Canada's largest 100 publicly traded companies.
9. The Impact of Fathers on Childrens' Well-Being, Ellis, Sarah M., Khan, Jasmin S., Harris, Victor W., McWilliams, Ricki, Converse, Diana, University of Florida, October 2014; The Effects of Father Involvement: An Updated Research Summary of the Evidence, Allen, S., & Daly, K., University of Guelph, May 2007.
10. When Dad Stays Home Too: Paternity Leave, Gender and Parenting, Rehel, Erin M., 26 September 2013.
11. "Daddy's Home!" Increasing Men's Use of Paternity Leave, Briefing Paper for the Council on Contemporary Families, Patnaik, Ankita, Cornell University, 2 April, 2015.

References

- [1] The Bottom Line: Corporate Performance and Women's Representation on Boards, Catalyst, 15 October 2007
- [2] The CS Gender 3000: Women in Senior Management, Credit Suisse, September 2014
- [3] Education at a Glance 2016: OECD Indicators, OECD Publishing, Paris, September 2016
- [4] Education Matters, Statistics Canada, May 2012
- [5] How advancing women's equality can add \$12 trillion to global growth, McKinsey Global Institute, September 2015
- [6] Maternity and Paternity at Work: Law and practice across the world, International Labour Organization, 2014
- [7] PwC Women in Work Index 2016, Canadian Insights