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# The business case for gender equality

**Considerable rewards can be attained by businesses which successfully attract both women and men to their workforce.**

Research suggests that organisations that respect and value the diversity brought by both women and men are better able to attract and retain high performers and improve operational performance.

It is not, however, simply about having token women (or men). While diversity is fundamental, gender equality is paramount.

Gender equality is achieved when people are able to access and enjoy the same rewards, resources and opportunities regardless of whether they are a woman or a man. The aim is to achieve broadly equal outcomes for women and men, not exactly the same outcome for all individuals.

Australia has made significant progress towards gender equality in recent decades. However, women continue to earn less than men, are less likely to advance their careers as far as men, and are more likely to spend their final years in poverty. At the same time, men find it more difficult to access flexible working arrangements than women.

The business case for gender equality is strong. This paper summarises how fostering a workforce that promotes gender equality can help your organisation to:

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- [Reduce cost of staff turnover](#)
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# Attract the best employees

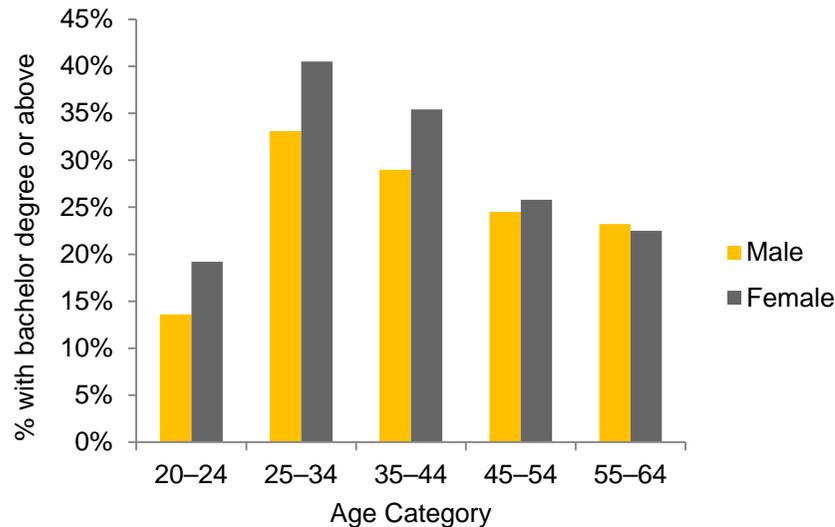
In 2012, 20% more women aged 25-34 than men held bachelors' degrees.

Having the best talent is critical to success in competitive markets.

Women are increasingly more highly educated than men. Recent Australian Bureau of Statistics data shows 20% more women aged 25-34 than men hold bachelors' degrees<sup>1</sup> (see Graph 1).

An organisation which is as attractive to women as it is to men will have access to the entire talent pool and is more likely to have a competitive advantage in attracting the best talent available.

**Graph 1: Bachelor and postgraduate degree attainment by gender and age, 2012<sup>2</sup>**



Source: ABS (2012 a and b) Education and Work, Australia, Workplace Gender Equality Agency calculations.

“Our gender equality initiatives help us to attract and retain staff through to partner level”  
**Henry Davis**  
York

## Case Study: AGL and the war for talent

Having the right people with the right skills is vital for AGL as the energy industry faces challenging times. Competing for talent is made particularly difficult given that many of the roles that offer critical experiences and career pathways for future leaders are non-traditional occupations for women. The labour pool for women is relatively small but important in an industry that is facing a critical skills shortage.

Currently, women comprise 37% of AGL's workforce, although only 32% of AGL leaders are female and the representation reduces at senior levels.

AGL has a clear strategy to increase the representation of women in leadership, with publicly promoted objectives. As part of the strategy, AGL held its inaugural senior women's conference in 2010, which aimed to provide the opportunity to understand the importance of gender equity and diversity to AGL; meet, listen to and learn from women who have been successful; build networks; and contribute ideas and perspectives to inform AGL's gender diversity initiatives. The 2011 conference opened the audience to senior AGL men and carried the theme “Gender equity – it's everyone's business”. And the 2012 conference included a spotlight on AGL's women working in less traditional roles in its Merchant Energy and Upstream Gas businesses.

Feedback shows the conferences generated a greater awareness of and engagement in AGL's programs to remove barriers for women in the workplace and drive gender diversity.

In response to feedback, AGL will continue to hold the diversity and inclusion conferences annually and has launched regular women's networking luncheons run by AGL's female senior leaders. AGL is also implementing new initiatives around flexible work, leadership development programs for women, and support programs for working parents in 2012 and 2013.

## Reduce cost of staff turnover

Replacing a departing employee can cost 75% or more of their annual wage.

Both women and men are more likely to remain with an organisation where there is a proactive diversity 'climate' as they perceive a concrete payoff to themselves by staying in an organisation they view as fair.<sup>3</sup>

According to research by the Diversity Council of Australia, around 18% of men, including 37% of young fathers, had "seriously considered" leaving an organisation due to a lack of flexibility.<sup>4</sup>

This evidence demonstrates that organisations which foster gender diversity will support retention of staff, thereby reducing an organisation's employee turnover expense.

And staff turnover is expensive. A report by the Australian Human Resources Institute has estimated the cost of staff turnover to Australian business at \$20 billion.<sup>5</sup> Costs include:

- advertising costs
- lost time spent on interviews, clerical and administrative tasks
- use of temporary staff or lost output while waiting to fill the position
- costs associated with training the new employee
- termination pay
- loss of specialist knowledge
- loss of customers
- low staff morale and reduced productivity.

Particular gender diversity practices can help your organisation to reduce employee turnover:

- Flexible work arrangements facilitate work and care and encourage women's greater workforce participation and men's sharing of care. UK findings indicate 63% of employers said flexible working practices had a positive effect on recruitment and retention.<sup>6</sup>
- Pay inequity can undermine initiatives to change the gender culture within organisations. In workplaces with a culture of gender diversity, pay decisions are more likely to be perceived to be fair and transparent and employees more likely to stay.<sup>7</sup>

To calculate the cost of turnover in your own organization, see the Workplace Gender Equality Agency's Costs of Turnover Calculator on the tools and resources section of the [website](#).

"Our initiatives have helped us to strengthen the participation rates of women in management, retain talent and increase return to work rates following parental leave"

**Allianz**

“We are passionate about gender diversity and women’s leadership. Lifting Australia’s performance in gender equality will drive innovation, boost business performance and improve Australia’s economic competitiveness”  
**IBM**

## Enhance organisational performance

Studies suggest that promoting gender equality is often associated with better organisational and financial performance.

A recent major study<sup>8</sup> acknowledges that there are a range of reasons why company performance and gender diversity may be linked. One factor is that well managed, diversity brings together varied perspectives, produces a more holistic analysis of the issues a company faces and spurs greater effort, leading to improved decision-making.

### Links between board diversity and improved performance

- Recent global research suggests a link between female directors and performance in businesses, with companies with at least one female director showing better financial outcomes on a range of measures<sup>9</sup> than those where there was no woman.<sup>10</sup> A number of other studies also show a positive relationship between women in leadership roles and financial performance.<sup>11</sup>
- A Canadian study examined diversity management (including women’s representation on boards and at senior levels) in a number of firms and the integrity of the firms’ financial management. The findings suggest financial governance may be enhanced where a company promotes diversity.<sup>12</sup>
- A Norwegian study also found women’s board representation was associated with improved corporate governance including having in place effective board procedures and structures.<sup>13</sup>

### Links between executive diversity and improved performance

Several international studies have found a link between aspects of the financial performance of companies and the proportion of women on their top executive teams.

- Two recent studies have found organisations with the most gender diversity outperform those with the least.<sup>14</sup>
- In relation to business innovative capacity, a gender diverse executive team seems to be critical:
  - A US study examined performance in 1,500 companies over 15 years. It concluded that women’s representation in very senior management is associated with improved organisational performance where a company is innovation focused.<sup>15</sup> It calculated for the firms examined that, at an average<sup>16</sup> level of innovation intensity, the presence of a woman in the top management amounts to creating extra market value for each firm of about US\$44 million.
  - A study by Dow Jones<sup>17</sup> focusing on US venture backed, start-up companies, found that a company’s odds for success increases with more female executives at the vice president and director levels. The overall median proportion of female executives at successful companies was more than double<sup>18</sup> that at unsuccessful ones.

Organisations with the most gender diversity outperform those with the least.

### Team diversity

Greater gender equality in teams may be linked to the innovative capacity of an organisation. International research examining gender diverse teams suggests that more gender balanced teams best promote an environment where innovation can flourish than those which are skewed towards a particular gender.<sup>19</sup>

“Gender diversity generates diverse thinking which translates into greater innovation for our clients and our firm”  
**King & Wood  
Mallesons**

## Workforce diversity

Improving gender diversity across the entire workforce may be associated with improved company performance. A study of over 500 US companies found a link between gender diverse workforces and organisational performance using measures such as sales revenue and number of customers.<sup>20</sup>

To benefit from improved gender diversity, your organisation needs to incorporate effective gender diversity initiatives from the top down to drive culture change if it is to reap the benefits of diversity.<sup>21</sup> Active commitment to change is needed throughout all levels of your company's management. You also need to manage diverse groups supportively.<sup>22</sup>

### Case study: Better performance through diversity - Rio Tinto

Historically, the employees of Rio Tinto's Iron Ore business in Australia, like most other resources companies, were predominantly men. When the company's growth plans coincided with a general labour shortage, a burning platform was created to look beyond traditional talent pools and consider greater workforce diversity.

In recent years, the company has shifted from viewing diversity as simply an operational requirement to recognising its strategic value. Diversity is now seen by Rio Tinto as fundamental to supporting good decisions about resource optimisation; eliminating barriers to working effectively; delivering strong performance by attracting, engaging and retaining diverse talent; and innovation, by drawing on the diverse perspectives, skills and experience of employees.

The company is committed to increasing the number of women in leadership. To do so, Rio Tinto has established talent pools of women in the middle management pipeline and carefully monitored development to identify strategies to enhance diversity. It also reviewed a range of job functions to understand where barriers to advancement of women might exist and develop remedies.

Initiatives to encourage gender diversity within the workforce and, in particular, in leadership roles include targeted development for high potential women, role modelling successful women and the expansion of flexible work practices.

## Improve access to target markets

In Australia in 2008, women were reported to control or influence 72% of household spending.<sup>23</sup> And women's own buying power is growing in line with their expanding role in the workforce and increasing personal disposable income:

- Women made up 45.7% of employees in 2012, up from 36.8% in 1980.<sup>24</sup>
- 55.7% of all women now work, compared to 41.3% in 1980.<sup>25</sup>
- Women comprise 52.1% of professionals in 2012.<sup>26</sup>
- Nearly a billion more women could participate in the market economy worldwide in the next 10 years.<sup>27</sup>

Increasing a company's gender diversity maximises opportunities to benefit from this significant trend.

Gender diversity facilitates business understanding of how to appeal to women as customers and what products and services women and men need and want. It may help your organisation create new markets and increase market share.

## Minimise legal risks

Strategies that promote workplace gender equality by reducing sex discrimination and harassment can minimise a company's risk of financial and reputational loss from lawsuits caused by discriminatory conduct. They also reduce the negative impact discriminatory behaviour has on your organisation's performance.

### Sexual harassment

Sexual harassment at work is experienced more by women than men<sup>28</sup> but increasingly it is recognised that men face sexual harassment too. Inclusive and respectful workplaces where gender diversity is valued reduces the risk of employee litigation. They also avoid the negative impact sexual harassment has on absenteeism, team conflict, and morale at work.<sup>29</sup>

### Pregnancy and maternity discrimination

Pregnancy and maternity discrimination is unlawful and can be costly with court appearances, legal representation and potential fines. Examples include:

- A Sydney print business paid fines and compensation of nearly \$26,000 in 2012 following a Fair Work Ombudsman prosecution for the demotion and poor treatment of a pregnant employee.<sup>30</sup>
- A childcare centre in Perth was fined \$15,200 and had to pay \$5000 compensation after a Fair Work Ombudsman prosecution successfully showed that the operator had pressured an employee she knew was pregnant to resign.<sup>31</sup>



Promoting workplace gender equality can reduce the risk of discrimination and harassment

“Our commitment to diversity and inclusion helps us attract and retain team members, and differentiates us in the marketplace”  
**AECOM**

## Enhance reputation

A reputation for promoting gender diversity can help you to attract the best employees to an organisation, retain existing customers and attract new clientele, building market share.

Reputation and image are critical in the marketplace and a reputation for promoting gender equality will enhance the regard in which a company is held in the wider community. For example:

- Research into why certain leading Australian for and not for profit companies promote gender equality suggests that preserving and enhancing their reputation was a significant motivation for developing their gender diversity strategies.<sup>32</sup>
- One international company gives as a major reason for their push for gender equality as enhancing their reputation with their existing clients and in the graduate pool from which they recruit.<sup>33</sup>

## Engage men

Gender equality is not just about making workplaces ‘female-friendly’. It’s about men too:

- Men with children increasingly have partners in the workforce<sup>34</sup> and fathers increasingly see their role not simply as breadwinners but as involving a more active parenting role.<sup>35</sup>
- Research shows men and especially young fathers value flexible working highly as a job characteristic.<sup>36</sup> Enabling men’s greater access to flexible work arrangements in your organisation would help increase gender equality in career progression.
- Research suggests a positive association between flexibility for men and commitment to work, with flexibility being one of the top five employment drivers for men.<sup>37</sup>

Men play a pivotal role in promoting gender diversity, and must be engaged in leading organisational approaches.

## Conclusion

The business case for gender diversity and gender equality is strong.

Until greater progress to gender equality is achieved, it is likely women’s employment participation in Australia will continue to lag behind comparable industrialised countries, as will their capacity to realise the personal and financial benefits of engaging in quality, well-paid jobs over the life-cycle. At the same time, men will continue to lack access to opportunities to balance their work and life commitments, and organisations will fail to be as productive as they could be.

Flexible work arrangements are one of the top five employment drivers for men<sup>34</sup>

**Want to learn more?**

Check out our reference list of sources that will give you more detail on the case for gender equality.

<sup>1</sup> Australian Bureau of Statistics (ABS) (2012a) *Education and Work, Australia*, 'Table 12: Persons aged 15–64 years with a non-school qualification, Level and main field of highest non-school qualification—By age and sex', datacube: excel, cat. No. 6227.0, viewed 11 Dec 2012,

[www.abs.gov.au/ausstats/abs@.nsf/mf/6227.0](http://www.abs.gov.au/ausstats/abs@.nsf/mf/6227.0)

ABS (2012b) *Education and work, Australia* - Additional data cubes, 'Table 1.11 Year 12 (or equivalent) or a non-school qualification at Certificate II level or above, persons aged 15–64 years, 2012', datacube: excel, cat. No. 6227.0.55.003, viewed 11 Dec 2012,

[www.abs.gov.au/AUSSTATS/abs@.nsf/mf/6227.0.55.003](http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/6227.0.55.003)

<sup>2</sup> As for footnote 1.

<sup>3</sup> Kaplan, D M, Wiley, J W, & Maertz, C P (2011), 'The role of calculative attachment in the relationship between diversity climate and retention', *Human Resource Management*, 50(2), 271-287.

<sup>4</sup> Russell, G. and O'Leary, J. (2012) *Men Get Flexible: Mainstreaming Flexible Work in Australian Business*, Diversity Council of Australia.

<sup>5</sup> AHRI HR PULSE: 'LOVE 'EM DON'T LOSE 'EM'- IDENTIFYING RETENTION STRATEGIES THAT WORK, 2008 pg 1 The cost of turnover was calculated on an average salary of \$55,660.80 (Australian Bureau of Statistics), a workforce of 10.6 million, and a conservative turnover cost estimate per employee of 75 per cent of salary.

<sup>6</sup> Flexible Working: Working for families, working for business, A report by the Family Friendly Working Hours Taskforce for the UK Department for Work and Pensions, citing a Confederation of British Industry survey in 2009, viewed 23 Jan 2013:

<http://www.dwp.gov.uk/publications/policy-publications/family-friendly-task-force.shtml>

<sup>7</sup> Kaplan, D M, Wiley, J W, & Maertz, C P (2011), 'The role of calculative attachment in the relationship between diversity climate and retention', *Human Resource Management*, 50(2), 271-287.

<sup>8</sup> Credit Suisse (2012), Gender Diversity and Corporate Performance, Credit Suisse Research Institute, viewed 7 March 2013:

<https://infocus.credit-suisse.com/app/article/index.cfm?fuseaction=OpenArticle&aoid=360157&lang=EN>

<sup>9</sup> Including share price performance and return on equity.

<sup>10</sup> Credit Suisse (2012), Gender Diversity and Corporate Performance, Credit Suisse Research Institute (see above for availability).

<sup>11</sup> For example, Catalyst (2011) *Why Diversity Matters*, Catalyst, New York, which contains summaries of a number of studies; McKinsey (2012). *Is there a payoff for top team diversity?* McKinsey; Carter, N M and Wagner, H M (2011), *The Bottom Line: Corporate Performance and Women's Representation on Boards 2004-2008*, Catalyst; Joy, L, Carter, N M, Wagner, H M and Narayanan (2007), *The Bottom Line: Corporate Performance and Women's Representation on Boards*, Catalyst. But some research does not show this link, for example Adams, R B & Ferreira, D (2009), 'Women in the boardroom and their impact on governance and performance', *Journal of Financial Economics*, 94, 291-309; Farrell, K A & Hersch, P L (2005), 'Additions to Corporate Boards: the effect of gender', *Journal of Corporate Finance*, 11, 85-106.

<sup>12</sup> Labelle, R, Gargouri, R M and Francoeur, C (2009), 'Ethics, Diversity Management, and Financial Reporting Quality', *Journal of Business Ethics*, vol 93, pp335-353.

<sup>13</sup> Nielsen, S and Huse, M (2012), 'The Contribution of Women on Boards of Directors: Going beyond the Surface', *Corporate Governance: An International Review*, 2010, vol 18(2), pp 136–148.

<sup>14</sup> McKinsey (2010), *Women Matter: Women at the top of corporations: Making it happen*, 2010, McKinsey and Company; McKinsey (2012), *McKinsey Quarterly: Is there a payoff from top team diversity?* McKinsey and Company, April, 2012.

<sup>15</sup> Dezso, C L and Ross, D G (2012), 'Does female representation in top management improve firm performance? A panel data investigation', *Strategic Management Journal*, vol 33, pp1072-1089.

<sup>16</sup> Firms where research and development expenses were approximately equal to 3.4% of their assets from the previous year.

<sup>17</sup> Dow Jones (2012) *Women at the Wheel - Venture Capital companies – Do female executives drive start up success*, Dow Jones.

<sup>18</sup> 7.1% at successful companies and 3.1% at unsuccessful companies. This finding is industry specific to the IT, healthcare, consumer services and business and financial services industries, the four largest sectors.

<sup>19</sup> Gratton, L, Kelan, E, Voigt, A, Walker, L and Wolfram H-J (2007), *Innovative Potential: Men and Women in Teams*, Executive Summary; Credit Suisse (2012), *Gender Diversity and Corporate Performance*, Credit Suisse Research Institute.

<sup>20</sup> Herring, C (2009), 'Does diversity pay?: Race, Gender and the Business Case for Diversity', *American Sociological Review*, vol 74, pp208-224.

<sup>21</sup> McKinsey (2012), *Women Matter 2012: Making the breakthrough*, McKinsey and Company.

<sup>22</sup> Credit Suisse (2012). *Gender Diversity and Corporate Performance*, Credit Suisse Research Institute (see above for availability), (cites Phillips, K W & Lloyd, D L (2006), 'When surface and deep-level diversity collide: The effects on

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dissenting group members', *Organizational Behavior and Human Decision Processes*, 99, 143-160 and Phillips, K W, Kim-Jun, S Y & Shim, S (2010), *The value of diversity in organizations: A social psychological perspective*, in van Dick, R. & Murnighan, K. (Eds.), *Social Psychology and Organizations* (pp 253-272). New York: Routledge Press).

<sup>23</sup> Silverstein, M.J. and Sayre, K. (2009). *Women Want More: How to Capture Your Share of the World's Largest, Fastest-Growing Market*, the Boston Consulting Group, New York.

<sup>24</sup> ABS (2012) *Labour Force Survey* (6291.0.55.001 - Labour Force, Australia, Detailed - Electronic Delivery, SuperTable LM8 - Labour Force Status by Sex, State, Age, Marital Status). Data for June in both years.

<sup>25</sup> ABS (2012) *Labour Force Survey* (6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, SuperTable E09\_aug96 - Employed Persons by Sex, Industry, Occupation, State, August 1996 onwards). Data for June in both years.

<sup>26</sup> ABS (2012) *Labour Force Survey* (6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, SuperTable E09\_aug96 - Employed Persons by Sex, Industry, Occupation, State, August 1996 onwards). Many more women work part-time than men.

<sup>27</sup> booz&co (2012), *Empowering the Third Billion: Women and the World of Work in 2012*, Booz and Company.

<sup>28</sup> Australian Human Rights Commission (AHRC) (2012), *Working without Fear: Results of the Sexual Harassment National Telephone Survey 2012*, AHRC, Sydney. The AHRC 2012 telephone survey found that over the previous five years, 25 per cent of women experienced workplace sexual harassment compared to 16 per cent of men.

<sup>29</sup> McDonald, P & Charlesworth, S (2012), 'Prevention and response in workplace sexual harassment', unpublished manuscript, which includes a summary of the research.

<sup>30</sup> Fair Work Ombudsman (FWO) (2012), 'Court imposes \$23,000 penalty over sex and pregnancy discrimination', Media release 2 February 2012, FWO, viewed 23 Jan 2013 [www.fairwork.gov.au/media-centre/media-releases/2012/02/Pages/20120202-wongtas-penalty.aspx](http://www.fairwork.gov.au/media-centre/media-releases/2012/02/Pages/20120202-wongtas-penalty.aspx)

<sup>31</sup> Fair Work Ombudsman (FWO) (2012), 'Operator of Perth child care centre fined over pregnancy discrimination' Media release 18 October 2012, FWO, viewed 23 Jan 2013:

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<sup>32</sup> Charlesworth, S, Hall, P and Probert, B (2005), *Drivers and Contexts of Equal Employment Opportunity and Diversity Action in Australian Organisations*, RMIT Publishing, Melbourne.

<sup>33</sup> The World Economic Forum (WEF) (2012), *A Repository of Successful Practices*, WEF, KPMG refer to reputation enhancement as a success measure sought from promoting gender diversity viewed 23 Jan 2013:

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<sup>34</sup> Hayes, A, Qu, L, Weston, R and Baxter, J (2011), *Families in Australia: Sticking together in good and tough times*, Australian Institute of Family Studies.

<sup>35</sup> Russell, G. & O'Leary, J. (2012). *Men Get flexible! Mainstreaming flexible work in Australian business*, Sydney: DCA.

<sup>36</sup> Russell and O'Leary (2012), see above.

<sup>37</sup> Russell and O'Leary (2012), see above.