

September 2016

The business case for gender equality

Workplace gender equality is achieved when people are able to access and enjoy the same rewards, resources and opportunities regardless of gender.

Australia, along with many countries worldwide, has made significant progress towards gender equality in recent decades, particularly in education, health and female workforce participation.

However, the gender gap in the Australian workforce is still prevalent; women continue to earn less than men, are less likely to advance their careers as far as men, and accumulate less retirement or superannuation savings. At the same time, men have less access to family-friendly policies such as parental leave or flexible working arrangements than women.

The aim of gender equality in the workplace is to achieve broadly equal outcomes for women and men, not necessarily outcomes that are exactly the same for all. To achieve this requires:

- workplaces to provide equal pay for work of equal or comparable value
- the removal of barriers to the full and equal participation of women in the workforce
- access to all occupations and industries, including leadership roles, regardless of gender; and
- the elimination of discrimination on the basis of gender, particularly in relation to family and caring responsibilities.

Achieving gender equality is important for workplaces not only because it is 'fair' and 'the right thing to do,' but because it is also linked to a country's overall economic performance. Workplace gender equality is associated with:

- Improved national productivity and economic growth
- Increased organisational performance
- Enhanced ability of companies to attract talent and retain employees
- Enhanced organisational reputation

Improved national productivity and economic growth

The Global Gender Gap Report published by the World Economic Forum states that gender equality is not only a fundamental human right but is linked to a country's overall economic performance.

"People and their talents are among the core drivers of sustainable, long-term economic growth. If half of these talents are underdeveloped or underutilized, growth and sustainability will be compromised. Moreover, there is a compelling and fundamental values case for empowering women: women

represent one half of the global population—they deserve equal access to health, education, earning power and political representation.”¹

Increasing female workforce participation is key to boosting Australia’s productivity and innovation. In 2016, the female workforce participation rate in Australia¹ is 59.3% and 70.4% for men.² The Australian government has committed to reduce the female-male workforce participation gap by 25% by 2025.³

A 6% increase in the female participation rate would boost the level of GDP by 11%

Goldman Sachs & JBWere calculated that the rise in female employment since 1974 has boosted Australian economic activity by 22% and that a 6% increase in the female participation rate would boost the level of GDP by 11%.⁴

Similarly, the Grattan Institute argues that increased access to childcare and tax benefits would act as incentives for women to enter the workforce and increase the size of the economy by \$25 billion annually.⁵

Increased organisational performance

Increasing women’s participation in the workforce has positive impacts on organisational culture and on operations. A diverse and inclusive workforce regardless of size and industry generates tangible benefits, such as increased efficiency, productivity, innovation, creativity and improved employee engagement.

Companies with the highest proportion of women on their boards performed significantly better than firms with the lowest proportion

A diverse workforce tends to produce a more holistic analysis of the issues an organisation faces and spurs greater effort and motivation, leading to improved decision-making.⁶

There is significant evidence from across the globe demonstrating the positive impacts on company performance of female representation on boards, in executive management and senior leadership.⁷ Increased gender diversity on boards and senior executive positions is associated with better financial performance.⁸

Catalyst research from 2011 of Fortune 500 companies shows that companies with the highest proportion of women on their boards performed significantly better than firms with the lowest proportion.⁹

A study from the US examined the performance of 1,500 companies over 15 years and showed that women’s representation in senior management is associated with improvement in organisational performance where a company focuses on innovation.¹⁰ The study showed that at an averageⁱⁱ level of innovation intensity, the presence of a woman in top management amounts to creating extra market value for each firm of about US \$44 million.

Research by McKinsey examined 366 companies across Canada, the UK and the United States and found that companies within the top quartile for gender diversity were 15% more likely to have higher financial returns than their national industry medians.¹¹

Moreover, the correlation between more female leaders in top leadership positions and increased financial profitability was evident in an analysis of the performance of 21,980 firms in 2014 in 91 countries by the Peterson Institute for International Economics.¹²

ⁱ Participation rate is the sum of the employed and unemployed divided by total population from age 15 onwards

ⁱⁱ Firms where research and development expenses were approximately equal to 3.4% of their assets from the previous year.

Diversity and organisational performance

Diverse teams are associated with greater innovative capacity of an organisation. International research examining gender diverse teams suggests that more gender balanced teams are better in promoting an environment where innovation can flourish compared to teams of one particular gender.¹³

A study by Credit Suisse acknowledges that there are a range of reasons why company performance and gender diversity may be linked.¹⁴ 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.

The research by Credit Suisse also 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, such as share price, than those where there was no female director.¹⁵ A number of other studies show a positive relationship between women in leadership roles and financial performance.¹⁶

Improving gender diversity across the entire workforce may be associated with improved company performance. The research into over 500 US companies found a link between a gender diverse workforce and the organisational performance using measures such as sales revenue and number of customers.¹⁷

Enhanced ability of companies to attract talent

When workplaces are equally appealing to women and men, organisations have access to a larger talent pool. Employees value positive workplace cultures and environments that offer gender equality policies and practices, flexible working arrangements and support for employees with family and caring responsibilities.

Research conducted by the Diversity Council of Australia shows that flexible working arrangements are important to female and male employees of all ages.¹⁸ Research also suggests a positive association between flexibility for men and commitment to work, with flexibility being one of the top five employment drivers for men.¹⁹ Flexible working arrangements enable employees to meet their family as well as their personal needs and evidence suggests that all employees including the young, the senior as well as employees with family responsibilities are more likely to be engaged and motivated in workplaces with access to flexible working arrangements.²⁰

Employees are more likely to be engaged and motivated in workplaces with access to flexible working arrangements

Flexible working conditions can be a critical factor in attracting top talent in all industries.

Enhanced ability of companies to retain employees

Workplace policies that support gender equality are an important tool to retain talented employees. Research by Kaplan, Wiley and Maertz shows that employees 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.²¹

The Business Council of Australia recommends a variety of financial and tangible incentives to maintain workforce participation, particularly for parents and carers, but also for people approaching retirement age. The main incentives that help drive employee retention are workplace flexibility, breastfeeding facilities, return to work programs and parental and carers leave provisions.²²

High staff turnover not only leads to a loss of specialist knowledge and productivity, the costs associated with hiring and training new employees can be high. Research by the Society of Human Resource Management suggests that the total costs associated with employee turnover can range between 90% and 200% of the annual salary, depending on the type of job.²³

High staff turnover leads to loss of specialist knowledge and productivity

Enhanced organisational reputation

The benefits of inclusive workplaces to organisational reputation are evident in the strong interest in the WGEA Employer of Choice for Gender Equality citation (EOCGE). Citation holders recognise that gender equality is critical to an organisation's success and is viewed as a baseline feature of leading organisations.

A study into leading Australian organisations conducted by Charlesworth, Hall and Probert confirms that preserving and enhancing the organisational reputation is a significant motivating factor for developing gender diversity strategies.²⁴

Organisations with gender equality policies and strategies that include family friendly workplace policies and that address sex-based harassment and discrimination against employees are reducing the risk of workplace discrimination cases which can potentially be damaging for a company's reputation.

Gender equality is viewed as a baseline feature of leading organisations

High performing employees are attracted to companies who have a positive reputation for promoting gender equality.

¹ World Economic Forum (2015), Global Gender Gap Report. Available: <http://www3.weforum.org/docs/GGGR2015/cover.pdf>

² ABS (2016), *Labour Force, Australia, June 2016*, cat. no. 6202.0, viewed 18 August 2016, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0/>

³ Senator the Hon Michaelia Cash (2014), Investing in the gender equality at the G20 leaders' summit, viewed 31 August 2016, <https://ministers.dpmc.gov.au/cash/2014/investing-gender-equality-g20-leaders-summit>

⁴ Goldman and Sachs & JBWere (2009), Australia's hidden resource: the economic case for increasing Female Participation, viewed 21 September 200016, http://www.asx.com.au/documents/about/gsjbw_economic_case_for_increasing_female_participation.pdf

⁵ The Grattan Institute (2012), Game-changers: Economic reform priorities for Australia, viewed 1 September 2016, http://grattan.edu.au/wp-content/uploads/2014/04/Game_Changers_Web.pdf

⁶ Centre for ethical Leadership (2013), Building a Business Case for Gender Diversity, viewed 31 August 2016, <https://cel.edu.au/our-research/building-a-business-case-for-gender-diversity>

⁷ Centre for ethical Leadership (2013), Building a Business Case for Gender Diversity, viewed 31 August 2016, <https://cel.edu.au/our-research/building-a-business-case-for-gender-diversity>

⁸ Senator the Hon Michaelia Cash (2014,) Investing in the gender equality at the G20 leaders' summit, viewed 31 August 2016, <https://ministers.dpmc.gov.au/cash/2014/investing-gender-equality-g20-leaders-summit>

⁹ Catalyst (2011), *The Bottom Line: Corporate Performance and Women's Representation on Board (2004-2008)*, New York

¹⁰ 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.

¹¹ McKinsey (2015), Diversity Matters, viewed 1 September 2016, <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

¹² Noland, M., Moran, T., & Kotschwar, B. R. (2016), Is Gender Diversity Profitable? Evidence from a Global Survey. *Peterson Institute for International Economics Working Paper*, (16-3).

¹³ 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.

¹⁴ 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>

¹⁵ Credit Suisse (2012), Gender Diversity and Corporate Performance, Credit Suisse Research Institute (see above for availability).

¹⁶ 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.

¹⁷ Herring, C (2009), Does diversity pay? Race, Gender and the Business Case for Diversity, *American Sociological Review*, vol 74, pp208-224.

¹⁸ Diversity Council Australia (2012), Employers take note: men want flexible working too! Viewed 15 September 2016. <https://www.dca.org.au/News/News/Employers-take-note:-men-want-flexible-working-too!/293>

¹⁹ Russell, G. & O'Leary, J. (2012), *Men Get flexible! Mainstreaming Flexible work in Australian Business*, Sydney: DCA.

²⁰ Diversity Council Australia (2012), Employers take note: men want flexible working too!, viewed 15 September 2016. <https://www.dca.org.au/News/News/Employers-take-note:-men-want-flexible-working-too!/293>

²¹ 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.

²² Business Council of Australia (2013), *Action Plan for Enduring Prosperity: Full Report*, viewed 1 September 2016, <http://www.bca.com.au/publications/action-plan-for-enduring-prosperity-full-report>

²³ Society for Human Resource Management (2008), *Retaining talent. A guide to analysing employee turnover*, viewed 6 September 2016, <https://www.shrm.org/about/foundation/research/documents/retaining%20talent-%20final.pdf>

²⁴ Charlesworth, S, Hall, P and Probert, B (2005), *Drivers and Contexts of Equal Employment Opportunity and Diversity Action in Australian Organisations*, RMIT Publishing, Melbourne.