J.P. Morgan global research finds key challenges remain in drive for gender parity

J.P. Morgan's annual global gender balance research was published just as the world faced the broad-reaching and long-term impacts of COVID-19.

Dr. Sally Auld, head of economic research and market strategy for J.P. Morgan in Australia and New Zealand, says more needs to be done to drive gender balance and shares her view on achieving this in light of such a seismic global change.

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Dr. Sally Auld, Head of Economic Research and Market Strategy, Australia and New Zealand, J.P. Morgan

The drive toward gender parity is headed in the right direction. Women now outnumber men in the U.S. paid labour force and account for nearly half of the work force in Japan. The proportion of women on corporate boards is also rising.

Yet the pace of change remains slow with women accounting for just a small fraction of corporate executives globally. The gender pay gap remains persistently high; women find it harder to access capital, credit, financial services and buy property; while female-owned U.S. small businesses have 34% lower first-year revenues than male-owned businesses.

The J.P. Morgan annual report on the progress toward achieving gender balance shows uneven progress around the world. Why is it so hard to propel cultural change and get people to embrace gender equality?

The statistics tell a broadly similar story around the world, which is that improvements are happening but at a reasonably slow pace.

We know cultural change is quite difficult to achieve in large institutions. A great example of that was the global financial crisis. There was a lot of focus in the aftermath on the culture in financial institutions. A number of U.S. banks (J.P. Morgan being one) have implemented cultural change over the last five to seven years.

It requires leaders to have a laser focus all the way through the organisation and putting this at the top of their to-do list. This means it takes a lot of resources and a lot of dedication. Maybe that's why we underestimate how hard it is to change.

It also requires a mix of carrot and stick—we want to encourage people to do the right thing. But there has to be an aspect where negative or inappropriate behaviour brings the appropriate consequences.

There has been plenty of publicity and soft targets over the years that have not changed the situation much. Is it time for a bigger stick?

A lot of the sticks are coming from the places you wouldn't traditionally think. The sticks normally come from regulators or government, but I think we're starting to see a world where the stick is starting to be driven by capital itself.

It's a bit like climate change—in the absence of strong action from governments or regulators, the owners of capital are taking matters into their own hands, based on ESG criteria.

We're seeing how big of an impact that can be on the environmental front and so it's not too much of a stretch to see how that could impact on the gender front as well, because diversity clearly matters for profitability and the long-term sustainability of companies.

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COVID-19 has forced governments to introduce unprecedented financial support across the board for Australian workers and companies. Could the government potentially play a greater role to hasten the push toward gender equality?

Society probably has a new appreciation of professions that tend to be very female-dominated, whether it's teaching, childcare or healthcare and how important those professions are to society's wellbeing, let alone an economy's wellbeing. If that shift in attitude could be sustained, it would be a great thing.

But true change depends on whether people are more willing to open their minds in a more permanent fashion or whether we revert to the old normal.

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Japan is interesting—one of the biggest issues there is cultural rather than a lack of support from government. While Japan introduced a voluntary 30% female target for leadership positions in 2014, gender bias remains deeply embedded in working and social practices.

The research shows that you can have various policies and government quotas but unless people really believe in the issue at heart, it limits how effective those policies can be.

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Mandated gender quotas or equivalent, by country or state

Market	Requirement type	Requirement	Year Introduced	Due Date
Belgium	Mandatory	33%	2011	2017
Denmark	Mandatory	Varied	2013	n/a
Finland	Comply or explain	At least one	2008	n/a
France	Mandatory	40%	2010	2016
Germany	Mandatory	30%	2015	2016
India	Mandatory	At least one	2013	2015
Israel	Mandatory	At least one	1999	n/a
Italy	Mandatory	33%	2011	2015
Japan	Voluntary	30%*	2014	n/a
Luxembourg	Comply or explain	40%	2014	2019
Malaysia	Comply or explain	30%	2017	n/a
Netherlands	Comply or explain	30%	2013	2016
Norway	Mandatory	40%	2003	2008
Pakistan	Mandatory for new directors	At least one	2017	n/a
Portugal	Mandatory for new directors	20%/33.3%	2018/2020	n/a
Singapore	Voluntary	20%	2017	2020
Sweden	Comply or explain	40%	2016	2020
Spain	Mandatory (no penalties)	40%	2007	2015
Turkey	Comply or explain	25%	2013	n/a
California	Mandatory	At least one	2018	2019
California	Mandatory	At least two or three**	2018	2021
UAE	Mandatory	At least one	2012	n/a
UK	Voluntary	33%	2019	2020

Source: *Women on boards 2019 Progress Report*

*Of leadership positions

**Two for five-member boards, three for six-member boards

You would think gender diversity is a free kick for companies interested in growth but even at the board level, the Australian Institute of Company Directors has said the drive toward equal representation on ASX 200 boards has stalled at around 30%. In the United States, female representation on boards rose from 17.7% in 2018 to 20.4% last year across the Russell 3000, according to the J.P. Morgan research.

That's part of the issue—if you can't get 50:50 men and women at a board level, it's hypocritical to hammer management to get 50:50. It's far more credible for a board to say to a CEO that we want this to be one of your top priorities if your board is 50:50. It's a bit harder for the CEO to embrace it if he is staring at a board table where there are nine men and one woman.

Women continue to make up a small fraction of corporate executives, accounting for only 4.3% of CEO seats for MSCI ACWI firms, according to the J.P. Morgan research.

The COVID-19 pandemic has changed every facet of our lives. How might it influence the drive for gender equality?

This pandemic will put a lot of issues such as gender equality and climate change on the backburner, which is not a good thing. The focus at the moment is making sure people have incomes and jobs, and companies can survive. That's what boards and governments are worried about.

There are surveys where people are asked their level of concern about the environment and the economy, and the two are negatively correlated; the more people are worried about the economy, the less they care about the environment.

In terms of how to improve gender inequity, what works from a practical standpoint?

We're putting together a toolkit for the whole recruitment process at J.P. Morgan in Australia—a checklist of things to be mindful of from a gender perspective when you're interviewing people.

Many small things really count, such as doing interviews in groups or when people are looking at CVs, making them blind as to whether it's a man or a woman that has applied for the role. Making these processes part of the culture—to get people doing them as second nature—is really important.

Once you get people in place, then there's a lot of mentoring that happens, which is great. But sponsorship may be even more effective than mentoring, because senior people can proactively make sure that all talented candidates, regardless of gender, are considered for opportunities.

Sponsorship is just a more proactive form of supporting women. Having someone at a management level say "this person would be brilliant for that job" and "this person is ready to move to the next level" can help them navigate their career and overcome gender bias, should it exist.

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What has been your personal experience of the drive toward gender equality?

I think any woman, including me, has had both positive and negative experiences around this issue but things are definitely better relative to when I started my career. Twenty years ago, it was a very blokey, cowboy culture and for a lot of women that would have been highly unappealing. Now, we have greater visibility of female role models and the culture has definitely improved.

When I started my career, there were few women in any senior positions, but if you compare that to J.P. Morgan today, our Operating Committee is almost 50:50 men and women. And in the part of bank that I work for—research—there's some very capable women in really senior roles.

I think it's good to be able to say, over a 20-year period, things are definitely better, but we also have to acknowledge that we're just not there yet. There is always more work to be done.

For a copy of the *J.P. Morgan Perspectives Achieving Gender Balance 2020: Why the Disparity?* report, please contact your J.P. Morgan representative.