



Tackling the gender **seniority gap:** what works for the insurance and long-term savings industry?



abi.org.uk

[@BritishInsurers](https://twitter.com/BritishInsurers)

About the ABI

The ABI is the voice of the UK's world leading insurance and long-term savings industry.

A productive, inclusive and thriving sector, we are an industry that provides peace of mind to households and businesses across the UK and powers the growth of local and regional economies by enabling trade, risk taking, investment and innovation.

Contents

6 Executive summary

9 Why the ABI commissioned this report

- 10 Why this matters
- 11 Methodology
- 11 Industry action on diversity and inclusion

12 Where are we?

- 13 Different sectors and their record on senior women
- 14 The insurance and long-term savings industry and the financial services sector
- 15 How do companies compare?
- 16 Summary of recommendations

17 Why aren't there more women in senior roles?

- 18 Theories on the lack of women in senior roles
- 20 The 'motherhood penalty'
- 21 Why is there a 'motherhood penalty'?
- 24 Other factors driving the seniority gap
- 26 Why does the seniority gap vary by sector?

28 What can we do about it?

- 29 Flexible working
- 32 Transparency and objectivity
- 34 Other common interventions and the evidence

36 Are companies doing the right thing?

- 37 What are companies doing?
- 38 A lack of evidence

39 Where next for the ABI and its members? Guiding principles and recommendations

- 40 The guiding principles
- 42 Summary of recommendations

44 The ABI's work on diversity & inclusion

About the report authors

Public First is a consultancy that specialises in public policy research; public opinion; and reputational campaigns. The lead author of this report is **Rachel Wolf**, Founding Partner at Public First. Rachel was the Prime Minister's adviser on Women and Equalities. She also advised on education, skills and innovation. Prior to joining No 10, Rachel was Senior Vice President of the education technology company Amplify, responsible for its elementary curriculum products - and was named one of Forbes 30 under 30 for her role. She founded, and has served as Director of, the New Schools Network education charity. She studied Natural Sciences at Cambridge and Economics at Birkbeck. She has two children under 5.

Rachel Wolf authored this report with her colleagues **Eleanor Shawcross-Wolfson**, previously Deputy Chief of Staff to the Chancellor of the Exchequer from 2010-2016; **Elena Narozanski**, previously Women and Equalities Adviser to Theresa May in her role as Women and Equalities Minister; and **Hannah Marshall**, a researcher for Public First with a degree in Politics and Economics and a master's in international Relations from Cardiff University.

Public First would like to record gratitude to the many senior people in government, in the private sector and in universities who were willing to speak to us off-the-record about their experiences and views. We would particularly like to thank Paul Trenell at the Government Equalities Office for his review and comments on this report.

PUBLICFIRST 



Welcome

The ABI commissioned Public First to research this report following a roundtable with our member company CEOs. They were interested in the answers to two questions; what practical steps will help get more women into senior roles and what interventions make the biggest difference?

Our own data shows that we do not have a problem attracting women to the insurance & long-term savings industry; men and women enter the profession at graduate level in equal numbers. But the proportion of women reduces by over 60% when you get to senior levels. This report concludes the so-called 'motherhood penalty' is the biggest driver of this.

In light of this, we need this analysis to review and evaluate the steps taken so far, whether in our industry, other parts of the economy and both in the UK and abroad. We also need external perspectives like this to consider recommendations specifically for our industry on where coordinated industry-wide action should be best targeted. As a first step, companies need to systematically measure their own outcomes and initiatives. One of the more striking findings of this research is quite how little of this takes place, whether inside or outside the insurance industry.

There is a lot in this research to engage with and I am grateful to Public First for their thorough analysis. We have plenty to consider here and the next step will be working through the ABI Talent and Diversity Network to consider the guiding principles and recommendations in this report and decide on our best next steps. Our future as a successful and thriving industry depends in no small measure on getting this right.



Huw Evans
Director General

A handwritten signature in blue ink, consisting of stylized cursive letters, positioned below the printed name and title.

“As the first female Chair of the ABI, one of my priorities is to drive the momentum needed to make a real difference to women in our sector and the guiding principles and recommendations in this report provide inspiration for how we can form, shape and steer the future of our industry - to create a workplace that works for all. However, this report shows that mothers still face a huge challenge to progress their careers when they return to work and highlights a huge hole where a proper evidence base should be.”



Amanda Blanc,
Incoming CEO, Europe
Middle East & Asia, Zurich
and Chair of the ABI

Executive summary



Where are we?

- Like in many other industries, there are fewer women than men at managerial level and above in the insurance and long-term savings industry.
- Our analysis shows a very wide variation in performance between different companies in the insurance and long-term savings industry. The companies that appear to be good at progressing women from junior to senior level are not necessarily those that perform well in terms of having the largest female representation at the top of the company. Therefore there is no simple pattern of 'good' vs 'bad' performers in the industry.
- The insurance and long-term savings industry does a good job of attracting women, but either loses them entirely or fails to promote them. Between entry and senior level, the proportion of female employees falls by 60%¹, however, we do not have all the data to fully understand why.

Why aren't there more women in senior roles?

- The literature shows that the dominant reason for the seniority gap is working patterns associated with motherhood, not different treatment of, or behaviours by, women in general.
 - When women have children, they are much more likely to take on the bulk of child-caring responsibilities and therefore require flexible working arrangements, often through part-time roles;
 - Recent analysis by the Institute for Fiscal Studies (IFS) found that once you are on reduced hours, it is very unlikely that you will progress in terms of wages or promotion. You get stuck. Other studies have shown that there is a widening pay gap between women with children and women without children. In some countries, there is even evidence of the opposite for men, with a 'fatherhood bonus' on pay;
 - There are also studies that have found unconscious bias on how mothers are perceived: they are regarded as less competent and committed than non-mothers. Conversely, fathers are perceived as more competent and committed than non-fathers. It is very hard for mothers to overcome this without then being perceived as being less 'warm' and 'likeable', which in turn affects promotion.
- Other industries with a high proportion of senior women have characteristics or have made changes that make it easier for people to work flexibly and still advance. It is likely that these differences between industries are also driving the representation of women in senior positions.
- However, there are still some factors that affect women regardless of whether they have children or not. We have found evidence that:
 - Women are, in some circumstances, less likely to negotiate/ask for promotion;
 - There is some unconscious bias towards women in general and not just mothers.

What can we do about it?

- To reduce the seniority gap substantially, we need to make it easier for part-time or formerly part-time employees to advance. This can be achieved by:
 - Making more senior jobs explicitly available part-time;
 - Having more standard flexible working practices that are advertised, encouraged and implemented;
 - Making job shares easier and more attractive;
 - Allowing more rapid advancement opportunities for women who worked part-time once they come back to full-time work. Particularly if they were considered promising or exceptional before going on maternity leave.
- There are also a range of behavioural interventions that help level the playing field on:
 - Negotiation;
 - Applications for jobs;
 - Systems that promote unconscious bias including on feedback.
- These interventions are all at heart about reducing subjectivity and ambiguity in the workplace. If human bias and behaviour is driving a gap, then organisational redesign to remove that bias is what will make a difference.
- This is not the same as training. The evidence on the impact of training to 'remove' bias is unconvincing. We do not see a systemic increase in promotion or a reduction in the gender gap, as a result of this training.
- However, the literature is far from comprehensive. There is still a lot we do not know about the specifics of what reduces the seniority gap.

¹ Association of British Insurers, *Building A Modern and Diverse Industry*, February 2018.

Are companies doing the right thing?

- Our analysis of company gender pay gap reporting in both the insurance and long-term savings industry and more widely in different sectors is that they have put in place a very large number of interventions.
- However, there is little correlation - in almost any sector - between the interventions companies are using and the best evidence of what works;
- We looked at dozens of companies providing services such as bias training and almost none published evidence of tangible results in promotion, advancement or pay. That said, there may be private evidence which is better. Many gender pay gap reports are very high-level, so it is difficult to know exactly what companies are doing and therefore whether it is likely to be effective and there is more research to be done on whether company actions are responding to precise internally identified issues.

Where next for the ABI and its members? Guiding principles and recommendations

Experimentation - CEOs and others should be comfortable making clear that we do not know everything that works and that no industry or company has cracked moving from major seniority gaps to equality yet. This means that experimentation is necessary - and we would strongly advise that CEOs try different methods across different parts of the business to measure impact.

Data - If the insurance and long-term savings industry wants to make a concerted effort to improve the number of senior women, consistency and quality of data tracking must be put in place. As part of this report we were not able to see exactly what individual companies do, but from our conversations with the ABI Talent and Diversity Network, it was clear that data tracking and monitoring was not always consistent or even in place.

Reporting - Reporting must be more concrete and clearer than in the current gender pay gap publications. Otherwise, it is impossible to enforce consistent behaviour or learn from each other. Again, our discussions suggest this is highly variable across ABI members.

Targeted action - Effort needs to be exerted where the problems are. Our analysis shows there is a substantial mismatch between what companies are doing and what works. For example, addressing what the largest contributors of the gender seniority gap, like part-time work.

A full list of the recommendations are available on page 42 & 43.

Why the ABI commissioned this report

In early 2018, the ABI convened a group of CEOs and executives from its member companies to discuss how to improve gender diversity at senior levels across the industry. Firms were concerned that, despite funded initiatives and programmes in their individual businesses, the percentage of senior women remained low.

They asked two very reasonable questions:

1. What practically can we do?
2. What makes the biggest difference?

This report was commissioned to answer those questions. It gives clear, concrete recommendations to industry leaders, the ABI Talent and Diversity Network and suggests ways in which the ABI, as a leading trade body, can best advance this agenda.

Why this matters

This report should also serve as a wake-up call. Despite the importance of gender diversity in political, policy, reputational and operational terms, practical evidence is surprisingly limited. The researchers behind this report have been involved in a wide range of policy areas. They found it striking that, when compared with other areas of public policy such as education, health and welfare, the standard and volume of evidence was so low. There has been some great research done, but not enough of it as the Government Equalities Office recently said, “high quality evidence is currently scarce in the field of gender equality in the workplace.”² Equally, while many companies have put admirable efforts into diversity and progression for women, it is not clear they are in a position to really evaluate those efforts.

Figures abound on the potential impact of gender equality on the economy:

- A recent McKinsey report estimated that advancing women’s equality could add \$12 trillion to global growth.³
- The OECD has stated that between 1995 and 2008, “narrowing the gap between male and female employment rates has accounted for half of the increase in Europe’s overall employment rate and a quarter of annual economic growth.”⁴
- The Government Equalities Office has stated that equalising women’s productivity and employment to the same levels as men could add £600 billion to the UK economy, while equalising participation rates could add 10% to the size of the UK economy by 2030.⁵ The Empowering Productivity report, which looked at this issue, acknowledged that the financial services sector (of which the insurance and long-term savings industry is a part) is the highest paid sector in the economy and one of the UK’s largest exports. UK insurers contribute £35 billion to the UK economy and the industry employs nearly 325,000 people, two-thirds of whom work outside of London.⁶
- On a company level, another McKinsey study found that firms in the top quartile for gender diversity were 15% more likely to have financial returns that were above their national industry average; companies in the bottom quartile for gender diversity were more likely to have returns that were below that average. The correlation is not proof of causation, but it is a statistically meaningful relationship that warrants attention.⁷

There are therefore many reasons why the insurance and long-term savings sector should focus in on how to make gender equality at senior levels better.

But there is a simpler and more obvious reason why this matters: there are too many talented women who are not fulfilling their potential. We all know them - personally and professionally. This is self-evidently bad for them, for individual businesses, for our sector and for society.



² Government Equalities Office, *Actions To Close The Gender Pay Gap*, August 2018.

³ McKinsey&Company, *The Power of Parity*, 2015.

⁴ OECD, *Gender and Sustainable Development*, 2008.

⁵ Women’s Business Council, *Maximising Women’s Contribution to Future Economic Growth*, July 2015.

⁶ Association of British Insurers, *UK Insurance & Long-term Savings Key Facts*, November 2017.

⁷ McKinsey&Company, *Diversity Matters*, 2015.

Methodology

In creating this report, the authors:

- Reviewed academic literature, consultancy and think tank reports, gender pay gap data and the gap in senior women, both in this country and other countries;
- Conducted some original analysis on the pay quartile data for:
 - Companies in the insurance industry;
 - Companies in the FTSE 100 in different sectors that were interesting comparators to the insurance and long-term savings sector;
- Conducted analysis on the interventions listed by companies in the insurance and long-term savings industry and in the FTSE 100 gender pay gap reports; and
- Surveyed companies and organisations that provide services aimed at reducing bias in hiring or promoting women; or at reducing the pay and seniority gap.

Industry action on diversity and inclusion

The insurance and long-term savings sector has made great strides in advocating for inclusion and identifying and implementing initiatives to improve the diversity of their firms. The first ABI diversity data collection revealed that 78% of its member firms have a diversity strategy and there is a wealth of examples of their membership taking the steps and driving the momentum needed to enact real change.⁸ It is clear that improving the gender seniority gap is a real concern for the ABI and its members.

The insurance and long-term savings industry, whilst not known for its diversity, is at the forefront of improving inclusion. The ABI and 41 firms in its membership are signatories of the Women in Finance Charter⁹ and it is the only financial services sector to have its own global diversity and inclusion festival, Dive In. According to the Women in Finance Charter's Annual Review, insurance firm signatories had the greatest increase in female representation as a % of senior management since the reporting period began.¹⁰

There are several sector-wide networks which raise awareness, empower and influence change. From The Insurance Cultural Awareness Network which supports multicultural inclusion across the insurance industry, LINK, the LGBT+ inclusion network and several networks to champion women such as the Gender Inclusion Network, The Insurance Supper Club and The Independent Women in Insurance network. All of these networks and others play a fundamental role in creating an inclusive sector.

The sector has also come together to tackle key issues through the Inclusive Behaviours Pledge, an industry-wide initiative to address all forms of potential discrimination in the workplace and the CII's Insuring Women's Futures programme which aims to enhance the insurance professions role in relation to women and risk.

This report will help inform what the ABI can do to enact meaningful change with its members to improve upon the efforts the sector is already taking to tackle the gender seniority gap.

⁸ Association of British Insurers, *Building A Modern and Diverse Industry*, February 2018.

⁹ Correct from August 2018.

¹⁰ HM Treasury, *Women in Finance Charter: Annual Review 2018*. March 2018.

Where are we?

Quick Summary

- Almost every sector struggles with a gender pay gap and low progression from junior to senior roles for women, some sectors like the public sector or the pharmaceutical industry have a better performance than financial services.
- The insurance and long-term savings industry does a good job of attracting women but then either loses them entirely or fails to promote them. Between entry and senior level, the proportion of female employees falls by 60%, although we don't have all the data to fully understand why.
- There are no universal high performers in the insurance and long-term savings sector. Some companies appear to be good at progressing women from junior to senior level; whilst others perform well in terms of female representation at the top of the company. Companies that do well in one aspect are not necessarily good at the other.

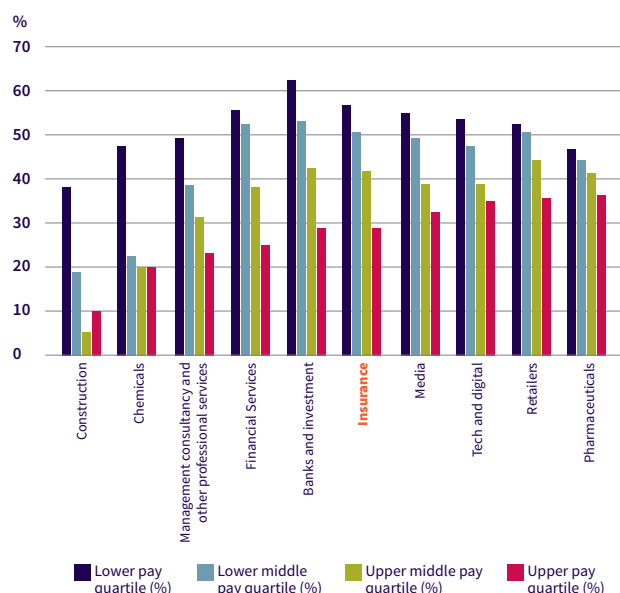


Different sectors and their record on senior women

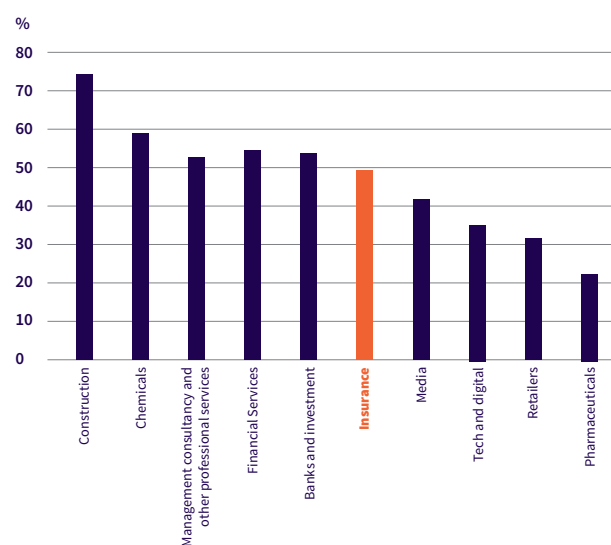
Almost every sector has a gender pay gap and low progression of women from junior to senior roles. However, the gender pay gap and female underrepresentation at the senior level are not the same issue. It is possible for companies to have a great senior-level gender split but still have a pay gap. Nonetheless, the two issues are often related. The chart below shows how FTSE 100 companies in different sectors perform in terms of the percentage of women at each pay quartile, followed by the decline in representation from the bottom to the top quartile opposite. A separate chart shows the same for a range of UK Government departments for comparison. The insurance companies are middling performers (we analyse why different sectors have different records in a later section). The Department for Business, Energy, and Industrial Strategy performs better both in terms of absolute numbers and the relative strength of women in the top quartile compared with the bottom quartile.

We have analysed the representation of women at different levels in FTSE 100 companies opposite to give a snapshot of how different sectors vary, particularly among large companies that are likely to have the resources to put in place a number of interventions.

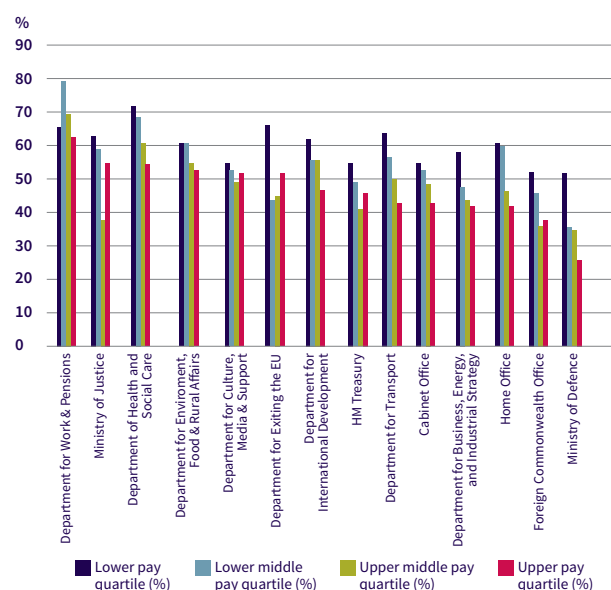
Female representation in each pay quartile: companies in the FTSE 100 by sector¹¹



Percentage decline in female representation from lower to upper quartile (FTSE 100)¹²



Female representation in each pay quartile: Government Departments¹³



¹¹ & ¹² Data collated from gender pay gap reports by FTSE 100 companies, 2017.

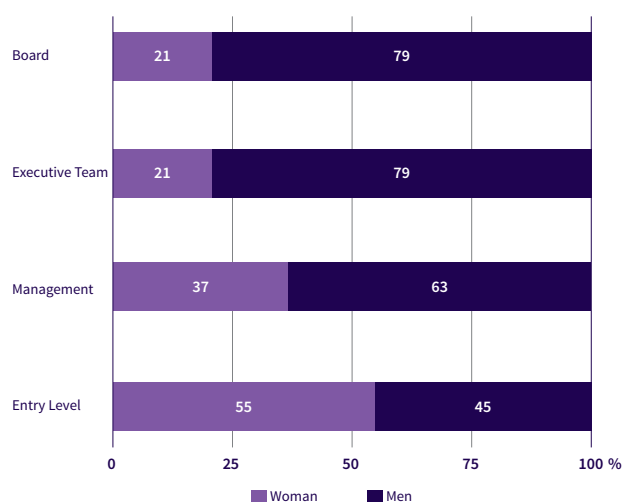
¹³ Data collected from Government gender pay gap reports, 2017.

The insurance and long-term savings industry and the financial services sector

The insurance and long-term savings industry

In 2018, the ABI published its first comprehensive data collection among member firms with statistics on gender splits at different levels in the insurance and long-term savings industry. The results are striking, at entry level, 55% of those in the insurance and long-term savings industry are women but at the executive level this falls to 21%. This is a reduction of more than 60%.¹⁴

The percentage of women at each level in the insurance and long-term savings industry



- ABI data reveals a reduction of more than 60% in the proportion of women between entry level and board
- A 43% reduction in the proportion of women between management and executive team or board
- A 32% reduction in the proportion of women between entry level and management

There are, clearly, some unanswered questions within the data:

- We don't know what the entry level split was when the women who are currently executives entered the workforce - and therefore whether future management rates are likely to be higher;
- We also don't know the split of roles at entry level - and whether this correlates to promotion potential;
- Finally, we don't know if the proportion of female managers is due to women exiting the industry or staying but at a more junior level.

Recommendations

The ABI should conduct further analysis with the insurance and long-term savings industry to understand:

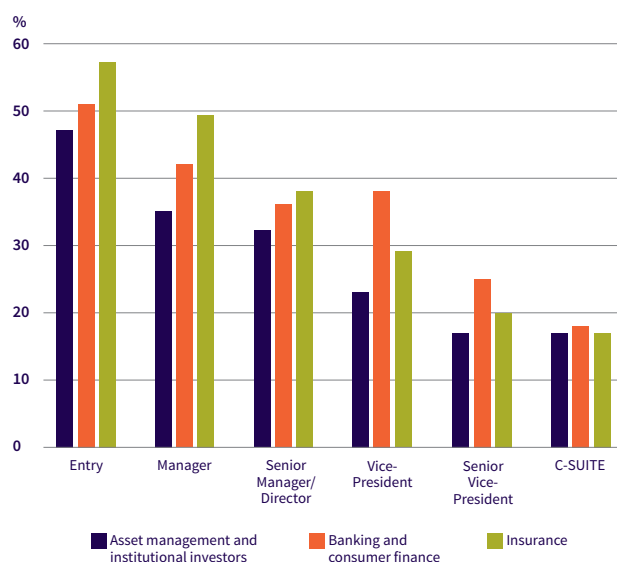
- changes in entry-level gender splits over the last 20 years;
- whether some roles are overrepresented or underrepresented by women;
- the extent to which women stay in the insurance and long-term savings industry at a junior level or exit altogether.

We know that the insurance and long-term savings industry currently does a good job of attracting women - but when it comes to representation at the top, there is clearly more work to be done. Female representation falls off significantly as seniority increases, suggesting there could be problems with both promotion and retention.

The financial services sector

This is not an unusual story. Research in America on different industries shows similar attrition rates across the financial services industry.¹⁵

The percentage decline in female representation at progressively more senior roles in America¹⁶

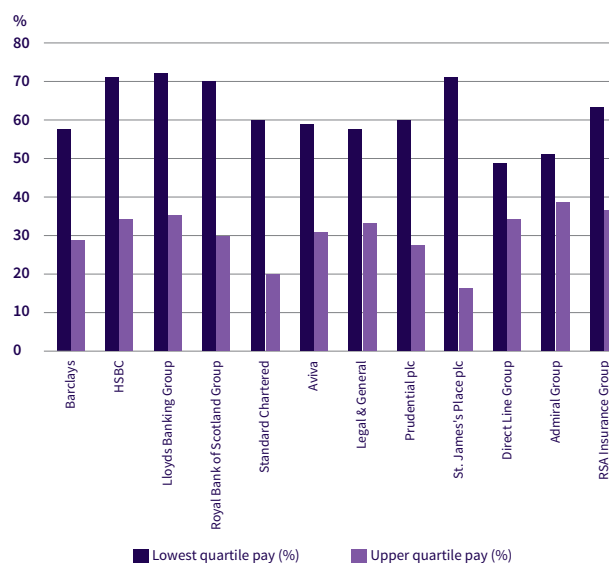


Unfortunately, there is no similarly granular quality comparison by role for the UK workforce, but analysis of gender pay gap data on the lowest and top pay quartile shows similar gaps. For the rest of this report we have had to use the upper quartile of pay as a proxy for seniority. This is obviously imperfect, but we think is a reasonable starting point.

Recommendations

Companies should collect, and make available privately to the ABI, data on roles as well as pay quartiles to allow better analysis on impact and progression.

The percentage of women at different pay quartiles for FTSE 100 companies in the financial services sector¹⁷



How do companies compare?

One of the most interesting findings of this report was the wide variation, at every level, between different companies and the lack of correlation between good performance on metrics such as female progression and good performance on other metrics such as female representation at a senior level. Several FTSE 100 firms in the insurance and long-term savings industry have strong female representation in their upper earnings quartile, with women making up almost 40% of their top earners. Yet the firms who do well at senior representation are not always the ones who perform best on progression. We analysed the progression gap for these companies (i.e. the percentage point gap between the proportion of women in the upper-middle and upper earnings quartiles) and found that while some firms seemed good at progressing their female employees to the top, others struggled. In other words, while there are pockets of good performance in certain areas, there appear to be no universally 'high-performing' company in the insurance and long-term savings industry.

¹⁵ Lean In and McKinsey & Company, *Women in the Workplace 2017*, October 2017.

¹⁶ Lean In and McKinsey & Company, *Women in the Workplace 2017*, October 2017.

¹⁷ Data collated from gender pay gap reports by FTSE 100 companies, 2017.

Recommendations

The ABI should:

- i. Analyse the extent to which different patterns in progression among companies can be correlated to different company models;
- ii. Controlling for this, investigate company practices that are resulting in better progression and entry rates, and use this to drive best practice across the industry;
- iii. Host an annual event for companies where the most successful discuss their initiatives.

Summary of recommendations

- The ABI should conduct further analysis with the insurance and long-term savings industry to understand:
 - i. changes in entry-level gender splits over the last 20 years;
 - ii. whether some roles are overrepresented or underrepresented by women;
 - iii. the extent to which women stay in the insurance and long-term savings industry at a junior level or exit altogether.
- Companies should collect, and make available privately to the ABI, data on roles as well as pay quartiles to allow better analysis on impact and progression.
- The ABI should:
 - i. Analyse the extent to which different patterns in progression among companies can be correlated to different company models;
 - ii. Controlling for this, investigate company practices that are resulting in better progression and entry rates, and use this to drive best practice across the industry;
 - iii. Host an annual event for companies where the most successful discuss their initiatives.

Why aren't there more women in senior roles?

Quick Summary

Motherhood is the dominant reason for the gender seniority gap

- Evidence suggests that the 'motherhood penalty' is the biggest driver of the seniority gap. According to one international study, 80% of the gap is explained by motherhood and UK studies also show major impacts from motherhood driven behaviour. This is predominantly because some other causes of the gap have been mostly dealt with in the last few decades.
- Women with children are more likely to work part-time or with reduced hours; those who work part-time find it much harder to get pay rises or promoted. In addition, there is some evidence to suggest that mothers seeking promotion are more likely to face unconscious bias.
- The academic research mostly looks at part-time working - perhaps because this is the dominant form of flexible working. But we believe it is a reasonable hypothesis that part-time working can be a proxy for other forms of flexible working, such as regularly working shortened hours, that currently inhibit progression.
- Having children does not stifle the earnings of men in the same way it does women. What's more, some studies have identified a 'fatherhood bonus' for highly-skilled men: rather than depressing their wages, parenthood increases them.

However, other factors still matter

- The evidence for many other theories behind women's failure to progress are mixed and inconclusive. We know the large-scale drivers, but not all the specific reasons behind those drivers.
- But there is good evidence for the presence of unconscious bias towards women and for different negotiating behaviour by women and men.

Characteristics between different sectors: hours and travel

- There is insufficient research into the reasons behind the variation in sector performance.
- However, our analysis suggests that industries which are client facing, require significant travel, and/or have a culture of long hours, seem to do worse on the proportion of senior roles held by women.

Theories on the lack of women in senior roles

In May of 2018, the Department for Business, Energy, and Industrial Strategy (BEIS) published some responses from FTSE 350 CEOs and Chairs on why there were relatively few women on boards. The responses were ridiculed - as intended. They also exposed the lack of consensus on why women are under-represented.

The worst explanations for not appointing women to FTSE company boards¹⁸

1. 'I don't think women fit comfortably into the board environment'
2. 'There aren't that many women with the right credentials and depth of experience to sit on the board - the issues covered are extremely complex'
3. 'Most women don't want the hassle or pressure of sitting on a board'
4. 'Shareholders just aren't interested in the make-up of the board, so why should we be?'
5. 'My other board colleagues wouldn't want to appoint a woman on our board'
6. 'All the 'good' women have already been snapped up'
7. 'We have one woman already on the board, so we are done - it is someone else's turn'
8. 'There aren't any vacancies at the moment - if there were I would think about appointing a woman'
9. 'We need to build the pipeline from the bottom - there just aren't enough senior women in this sector'
10. 'I can't just appoint a woman because I want to'

We have analysed dozens of articles, studies and submissions on gender pay and progression across industries and countries and characterised the most important theories on why women do not progress. Broadly, these theories either put greater emphasis on female behaviour and abilities (whether culturally determined or not) or on company behaviour.

Theories on why women



Women's actions

Talent

This is the view that only good women make it to the top and the problem is the lack of talent.

Choice

Women do not want leadership positions and they're motivated differently to men. For example caring less about pay or more about flexibility.



are underrepresented in senior positions

Company's actions

Self-limiting behavior

Women are less likely to negotiate/ask for promotion/put themselves forward than men.

Unconscious bias

People do not deliberately discriminate, but a range of unconscious decisions mean women are less likely to be promoted.

Lack of flexibility

Senior jobs make it very difficult for women to combine successful careers and children (and, associated, women are still expected to or want to do the majority of child-rearing).

Networks

Promotion is inevitably a function of who you know and who you can meet – old-boys' networks self-perpetuate.

Illegal discrimination

Men and women are paid differently for the same job. This is hidden by companies but is illegal discrimination.

There is little to no evidence that the lack of talent or illegal discrimination is the cause of the gender seniority gap. However, our analysis of the academic literature and high-quality surveys, such as those done by the Lean In Institute, suggest that all of the other factors have some part to play. But the dominant reason for the seniority gap is the working patterns associated with motherhood, because women tend to take on the main child-rearing responsibilities they work part-time and are then not promoted. This 'motherhood penalty' is the biggest driver of the seniority gap.

The ‘motherhood penalty’

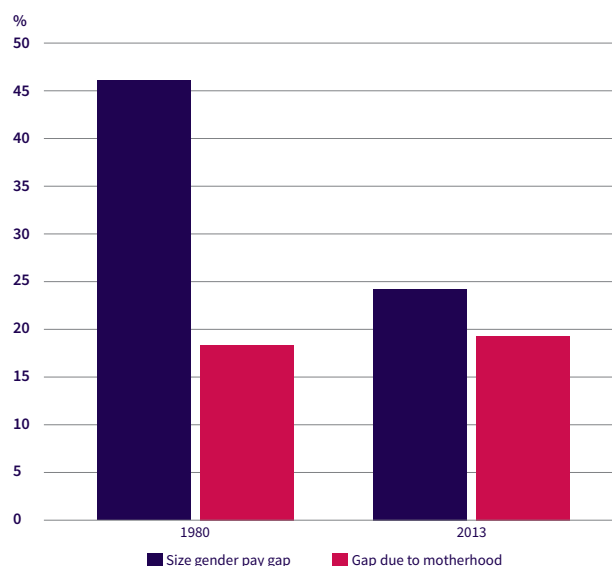
The most comprehensive study of the impact of gender and motherhood on earnings comes from Denmark. In 2018 economists published extensive analysis of the impact of gender and motherhood on earnings in Denmark from 1980 to 2013.¹⁹ Their findings are consistent with a growing body of quantitative evidence that has been building up over the last 30 years and provide an extremely clear picture of trends that are common to all advanced Western economies. The study found that:

“The arrival of children creates a gender gap in earnings of around 20% in the long run, driven in roughly equal proportions by labor force participation, hours of work, and wage rates. Underlying these ‘child penalties’, we find clear dynamic impacts on occupation, promotion to manager, sector, and the family friendliness of the firm for women relative to men. Based on a dynamic decomposition framework, we show that the fraction of gender inequality caused by child penalties has increased dramatically over time, from about 40% in 1980 to about 80% in 2013.”²⁰

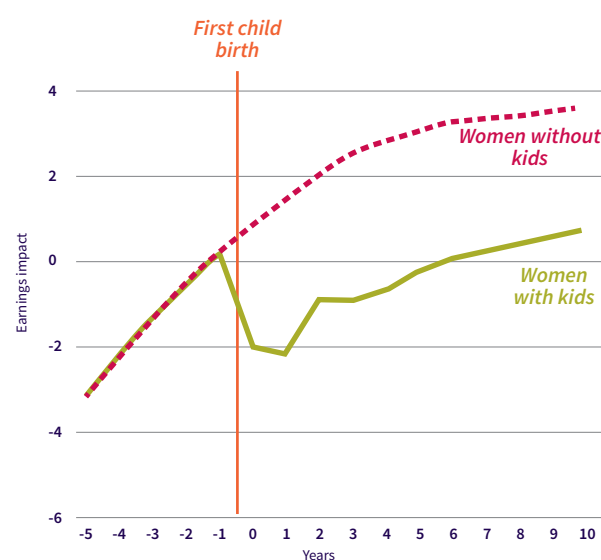
The study has two striking findings:

1. The gender pay gap has decreased dramatically. Clearly other factors, including discrimination have been substantially tackled through legislation. What remains is mostly determined by women with children. Women without children continue to see progression.

Change in gender pay gap 1980-2013²¹

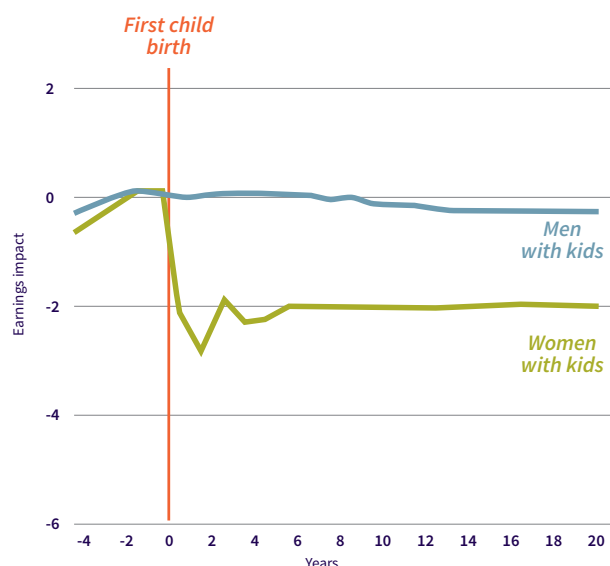


The difference in earnings between women with and without children²²

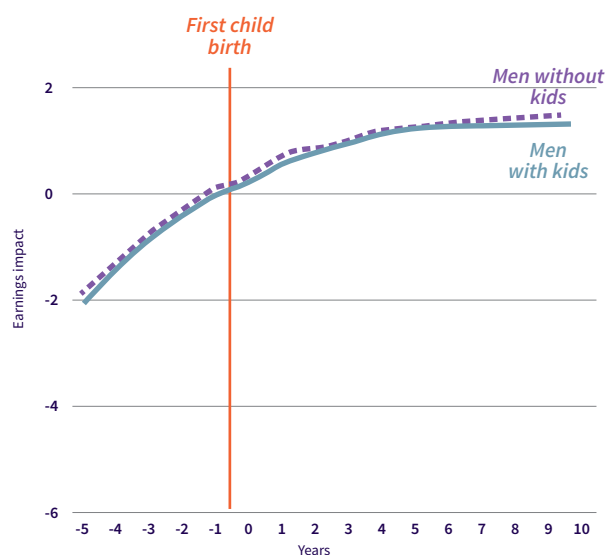


- There is a major impact on earnings for women with children, but not men with children.

The difference in earnings between men and women with children²³



The difference in earnings between men with and without children²⁴



This study did not find any difference in the earnings of men with and without children. However, other studies have identified a 'daddy bonus' which is the opposite to the 'motherhood penalty.' For example, analysis of a large longitudinal dataset in the US found that, all else being equal, fatherhood increased men's earnings by over 6%.²⁵

“Moreover, this daddy bonus is larger for white men and Latinos, professional workers, the highly educated, and for those whose occupations involve higher levels of cognitive complexity. We conclude that the daddy bonus increases the earnings of men already privileged in the labor market.”²⁶

Why is there a 'motherhood penalty'?

The literature suggests that the reasons for the 'motherhood penalty' are:

1. Women predominantly work part-time, or not at all when they have children, particularly young children. This is at least in part cultural and women do not seem to be highly responsive to financial incentives for mothers. Research has found that more financial support for childcare in the UK has a limited impact on labour market decision;²⁷
2. That those who work part-time are much less likely to progress up the pay-scale;²⁸
3. That mothers who do seek to be promoted at work face some unconscious bias - the 'competence vs warmth trap.'²⁹

Women work part-time

It is extremely difficult to determine how much of women's behaviour is a result of biology, personal choice or how much is a result of cultural norms. What we can say is that there are wildly differing attitudes across the world and over the past century a higher percentage of women have chosen to work. A recent IFS report reported a rise in employment rate among women of 'prime working age' (aged 25-54) is up from 57% in 1975 to 78% in 2017. It is therefore a reasonable assumption that we have a way to go before biology and choice are the sole components of the seniority gap.³⁰

²³ & ²⁴ Kleven, H., Landais, C. and Søgaard, J.E. 'Children and Gender Inequality: evidence from Denmark.' *National Bureau of Economic Research*, Working Paper No. 24219, 2018.

²⁵ & ²⁶ Budig, M. 'The Fatherhood Bonus and The Motherhood Penalty: Parenthood and the Gender Gap in Pay', *Third Way*, 2014.

See also Budig, M. and Hodges, M. 'Who Gets the Daddy Bonus? Organizational hegemonic masculinity and the impact of fatherhood on earnings.' *Gender and Society*, 2010.

²⁷ Paull, G. 'Children and Women's Hours of Work', *Economic Journal*, 2008. Costa Dias, M., Joyce, R. and Parodi, F. 'Wage Progression and the Gender Wage Gap: the causal impact of hours of work.' *The Institute for Fiscal Studies*, IFS Briefing note BN223, 2018.

²⁸ Costa Dias, M., Joyce, R. and Parodi, F. 'Wage Progression and the Gender Wage Gap: the causal impact of hours of work.' *The Institute for Fiscal Studies*, IFS Briefing note BN223, 2018.

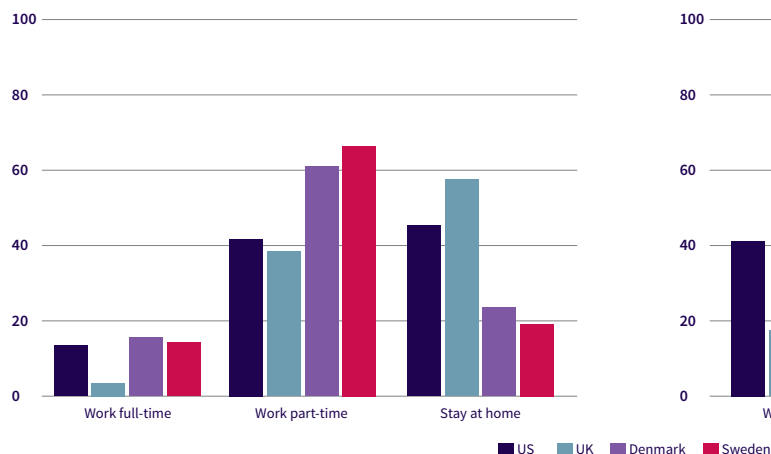
²⁹ Guillén, L., Mayo, M. and Karelaia, N. 'Appearing Self-confident And Getting Credit For It: Why it may be easier for men than women to gain influence at work.' *Human Resource Management*, 2017.

³⁰ IFS report reference: Roantree, B. "The Rise and Rise of Women's Employment in the UK", *Institute of Fiscal Studies*, 2018.

Perceptions in different countries of mothers' role³¹

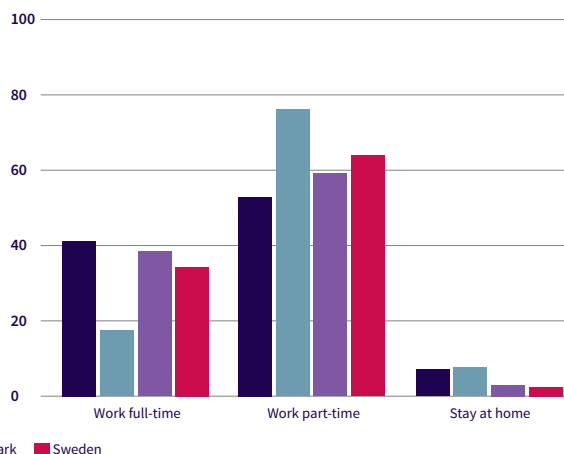
Women with children under school age

Do you think that women should work outside the home full-time, part-time or not at all when there is a child under school age?



Women with children in school

Do you think that women should work outside the home full-time, part-time or not at all when the youngest child is still in school?



While the UK public is supportive of women having a career, with 90% of men and 94% of women agreeing that women should have a career, there is some evidence that we're less supportive of women working-full time while their children are in school.³² There is also some evidence that we don't believe in women working at all when children are under school age than some other countries.

Once you start working part-time, you get stuck

Recent studies in the UK have particularly focused on the 'working strategies' of women vs men in the labour market and what this has meant for the gender pay gap. A recent review for the Government of two longitudinal datasets found that women are much more likely to be in part-time employment, particularly those with children. The study found that the biggest driver of the gender pay gap in 2014/2015 where the differences in labour market history. It is also found that a substantial part of the gap is likely to be how family friendly occupations are, bias against mothers and general issues to do with women rather than mothers specifically.³³

Analysis by the Institute of Fiscal Studies (IFS) in 2018 found that:

- The wage gap grows from around 10% to approximately 33% from when a woman has her first child to when that child turns 20 years old;
- Part of this is just down to the number of hours of labour market participation: by this time women have on average been in paid work for three years less than men.³⁴

³¹ Leibniz Institute for the Social Sciences, International Social Survey Programme ISSP 2012 - Family and Changing Gender Roles IV, 2016.

³² YouGov, *Global Report: Attitudes to Gender*, 2015.

³³ Olsen, W. Gash, V., Sook, K, and Zhang, M. 'The gender pay gap in the UK: evidence from the UKHLS', *Government Equalities Office*, May 2018.

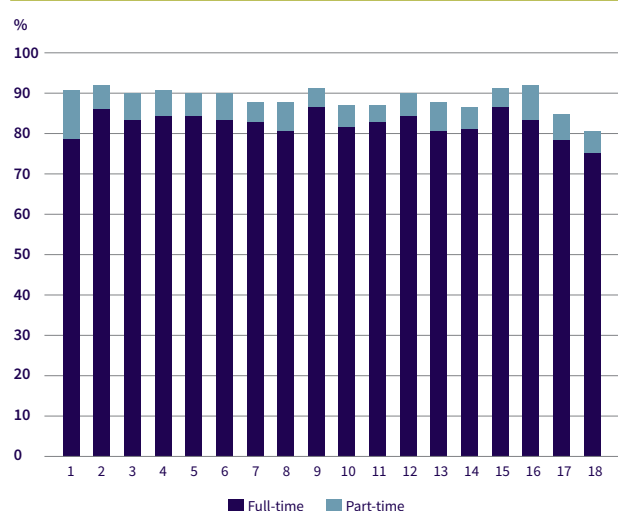
³⁴ Costa Dias, M., Joyce, R. and Parodi, F. 'Wage Progression and the Gender Wage Gap: the causal impact of hours of work.' *The Institute for Fiscal Studies*, IFS Briefing note BN223, 2018.

However, the number of hours worked only explains half of this gap. It is also the case that hourly earnings largely flatline for women once they have children,³⁵ while men's wages and in particular highly educated men's hourly earnings, accelerate. This is therefore not a function of the number of hours worked, but what is paid for each hour.

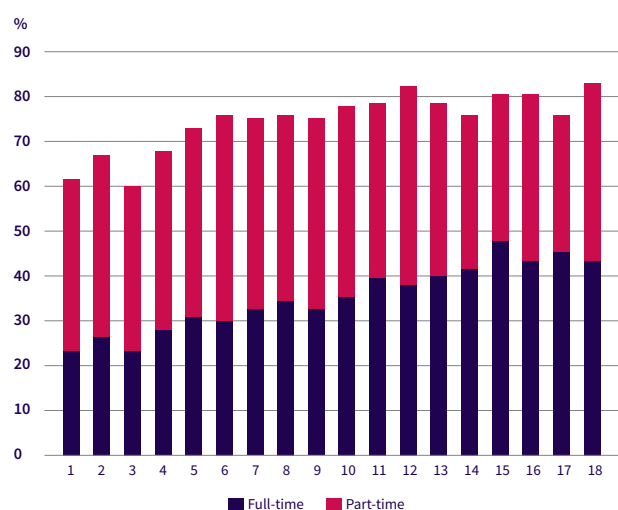
The IFS study found that more part-time experience does not give you a wage-boost, rather more full-time experience does. This is a particularly strong effect for the highly educated. (We think this is likely to be true of general reduced hours and possibly flexible hours, but it is not how the evidence is constructed.)

This affects a large number of women. As the charts below shows, women are much more likely to work part-time when they have children.

Employment of fathers by child's age³⁶



Employment of mothers by child's age³⁷



As part of this research we talked to a number of senior women in different sectors and their perception of working practices at the very top echoes this general trend:

“When you are working on deals, someone who needs to leave at 6pm is never going to be taken seriously by the partners.”

**Partner,
London law
firm**

“If you work part-time you can miss out on projects perceived to be “too heavy” for a part-timer to cope with – which often includes management of larger teams. Then when it comes to promotion you don’t have the necessary management experience. Firms’ evaluation processes sometimes don’t adjust for the impact of working part-time. Someone who works 60% should achieve 60% of the output of a full-time person, but often the two are assessed directly against one another which is unfair.”

**Partner, Global
Strategy
Consultancy**

³⁵ This is wage growth that is not due to economy growth: e.g. due to progression.

³⁶ & ³⁷ Office for National Statistics, *Labour Force Survey*, 2017.

Part-time vs flexible working

The academic studies mostly look at part-time working, perhaps because this is the dominant form of flexible working. However, it is a reasonable hypothesis that part-time working can be a proxy for at least some other forms of flexible working, such as regularly working shortened hours. It is also likely that different forms of flexible working have different effects on women's labour market progression.

There is some unconscious bias towards mothers

A study by academics at Stanford University in 2007 conducted two experiments: first participants inside the university rated fictitious applicants, some of whom were mothers and some of whom were not.³⁸ Second, fictitious resumes were sent out to companies across the country and the callback rates for mothers vs non-mothers were measured.

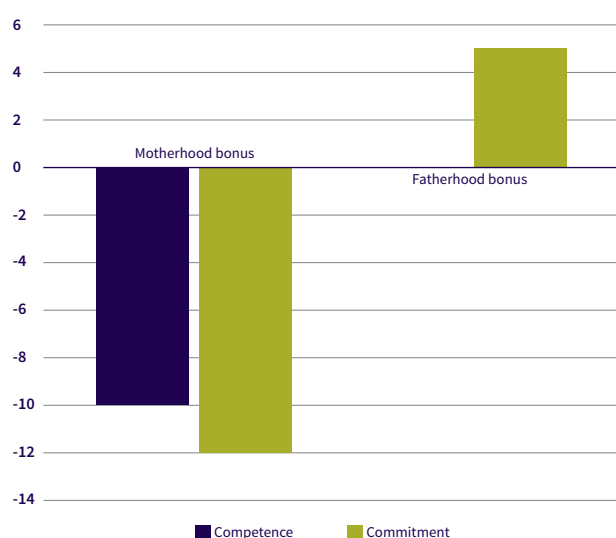
The study found substantial discrimination, however this does not mean the discrimination is conscious.

Mothers were:

- Rated as less competent and less committed than non-mothers, whereas fathers received a bonus in their ratings in commitment compared to non-commitment;
- Six times less likely than childless women and 3.35 times less likely than childless men to be recommended for hire (childless women therefore came top!);
- 8.2 times less likely to be recommended for a promotion than childless women.

The companies were also twice as likely to not invite mothers for call-back interviews in comparison to non-mothers.

Differences in how candidates are rated for competency and commitment³⁹



A follow-up study tried to assess if it was possible to remove the 'motherhood penalty' by demonstrating mothers' commitment and competence. They found that while this did remove the 'commitment and competency' gaps, it created new problems: the mothers were judged to be "less warm, less likable, and more interpersonally hostile."⁴⁰ Because of their lower ratings on these dimensions, the hyper-committed mothers were offered fewer organisational rewards: they were less likely to be hired and were offered lower salaries by raters than their childless counterparts even though there was no difference in how competent they were seen to be.

Other factors driving the gender seniority gap

Although the 'motherhood penalty' is by far the biggest determinant of the gender and seniority gap, there are other factors at play. This section will evaluate some of the other theories behind the gender seniority gap.

Are women less talented?

For a long time, one of the key theories behind the gender pay gap was 'human capital', i.e. women are less well educated and less able to do senior jobs.

However, the evidence suggests that human capital is a small and declining contributor to the gender seniority gap. Particularly as women are more likely to undertake a degree. What does appear to be true is that women get different experiences and potentially on-the-job training, possibly as a consequence of their different working patterns.

There is no good scientific evidence that women have less innate talent for senior roles in the insurance and long-term savings industry, or other industries outside of physical labour.

Do women prefer less senior jobs?

We know from various surveys that women with children often prefer to work part-time or reduced hours. Recent research commissioned by the Young Women's Trust found that while HR decision-makers are five times more likely to say that men, rather than women, are ambitious, even though 46% of 18-30 year old women want to be the boss one day.⁴¹ In other words, it is likely that women see an irreconcilable tension with flexible working and seniority - not that they would not like to one day have senior roles.

^{38 & 39} Correll, S.J., Benard, S. and Paik, I. 'Getting a Job: Is there a motherhood penalty?' American Journal of Sociology, 2007.

⁴⁰ Benard, S. and Correll, S.J. 'Normative discrimination and the motherhood penalty.' Gender & Society, 2010.

⁴¹ Young Women's Trust, Working for women? Young Women's Trust HR decision-makers survey, 2017.

Does women's behaviour 'self-limit'?

Progression and promotion are rarely based purely on objective metrics. What people demand, negotiate and apply for - in other words their ambition and how that ambition is expressed - is incredibly important.

There is very mixed evidence about whether women are less likely to negotiate their salary and request a promotion:

- Starting salaries of male MBAs graduating from Carnegie Mellon were \$4,000 higher on average because women accepted initial salary offers: only 7% attempted to negotiate vs 57% of men.⁴²
- In a lab-based study, women and men were told that they would be observed playing a word game and that they would be paid between \$3 and \$10 for playing. After each subject completed the task, they were offered \$3. The men requested more at a ratio of 9:1 to women.⁴³
- In a UK survey of HR decision-makers, eight times as many said that male employees were more likely than women employees to ask for a pay rise. A similar proportion said male employees were also more likely to ask for a promotion.⁴⁴

On the other hand, a 2016 University of Warwick study matched employer-employee data and found that, "Women do ask. However, women don't get."⁴⁵ i.e. women were no less likely to try and negotiate salary or seek promotion. Interestingly, for younger workers, women were also just as likely to 'get' - it is therefore possible that as those women advance the gap will decrease.

It is possible that the difference relates to clarity over whether negotiation is acceptable or not. A randomised control trial of nearly 2,500 job applicants in the US found that when applicants were explicitly told that jobs were negotiable, women and men negotiated equally. However, when negotiation was left ambiguous, women were much less likely to negotiate.⁴⁶

Is there unconscious bias against women?

While it does not seem to explain the majority of the pay gap, unlike the 'motherhood penalty', there is evidence of some unconscious bias against women.

- The move by orchestras to audition players behind a screen increased the probability of women advancing beyond the preliminary rounds by 50%. Data analysis found that blind auditions can explain 30% of the increase in the proportion of new female hires and possibly 25% of the increase in female representation in orchestras between 1970 to 1996.⁴⁷
- A study asked participants to assess two job candidates for a stereotypically 'male' job in a construction company - one woman and one man. Among the two candidates one had more experience and the other more education. The evaluators justified their decision to take the man selectively. When the man presented more education on their CV, they said this was the most important factor. When the man presented more experience, this became the most important.⁴⁸ Another study found bias in grading against women at university level.⁴⁹

It is also likely that unconscious bias has an impact on internal promotions. Research undertaken by Stanford University found that the feedback given to women is far less constructive than that given to men. Feedback is less likely to tie performance to business outcomes and pinpoint specific actions for development and is more likely to concentrate on communication styles.⁵⁰

Are networks important to progression?

Many of us assume that an "old boys' network" is an important part of men's promotion to executive and board positions. Survey and perception data backs this up: women report a lack of informal connections.⁵¹ Where women do have connections, they are more likely to rely on a network that is mostly female and therefore less likely to have senior-level contacts, since senior-level positions are dominated by men.⁵²

However, we have not found hard evidence to demonstrate that informal networks are a significant contributor to gender discrepancies in appointment and advancement. Although one study did find that while men and women do have the same number of connections, men appear to be more effective at leveraging those connections, perhaps because they are willing to ask.⁵³

Based on current evidence, we cannot conclude that network effects are a strong driver of the seniority or gender pay gaps.

⁴² & ⁴³ Babcock, L., Laschever, S. et al. 'Nice Girls Don't Ask,' *Harvard Business Review*, 2003.

⁴⁴ Young Women's Trust, *Working for women? Young Women's Trust HR decision-makers survey*, 2017.

⁴⁵ Artz, B. Goodall, A. and Oswald, A. 'Do Women Ask?', *Warwick Research Papers* 1127, 2016.

⁴⁶ Leibbrandt, A. and List, J. 'Do Women Avoid Salary Negotiations? Evidence from a Large Scale Natural Field Experiment,' *Management Science*, 2014.

⁴⁷ Goldin, C. and Rouse, C. 'Orchestrating Impartiality: The Impact of "Blind" Auditions on Female Musicians,' *The American Economic Review*, 2000.

⁴⁸ Norton, M., Vandello, J. and Darley, J. 'Casuistry and Social Category Bias,' *Journal of Personality and Social Psychology*, 2004

⁴⁹ Jansson, J. and Tyrefors, B. 'Gender grading bias at AStockholm University: quasi-experimental evidence from an anonymous grading reform' *Research Institute of Industrial Economics*, 2018.

⁵⁰ Correll, S. and Simard, C. 'Research: Vague Feedback Is Holding Women Back', *Harvard Business Review*, 2016.

⁵¹ Linehan, M. and Scullion, H. 'The Development of Female Global Managers: The Role of Mentoring and Networking,' *Journal of Business Ethics*, 2008. Lyness, K. and Thompson, D. 'Climbing the corporate ladder: Do female and male executives follow the same route?' *Journal of Applied Psychology*, 2000.

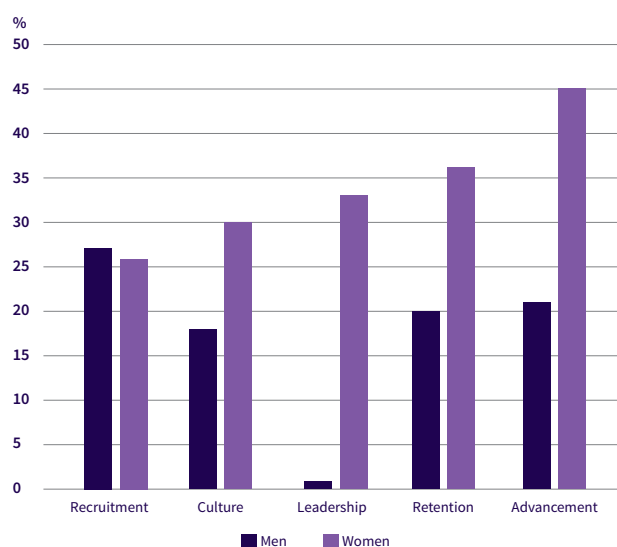
⁵² Lean In and McKinsey & co, *Women in the Workplace 2017*, October 2017.

⁵³ Seabright, P. and Lalanne, M. 'The Old Boy Network: Gender Differences in the Impact of Social Networks on Remuneration in Top Executive Jobs,' *CEPR*, 2012

Does perception matter?

A large number of studies, including a recent one by the Boston Consulting Group, have shown that men and women have very different impressions of the issues facing their companies. When asked to rank the obstacles to gender diversity, men are much less likely to name 'advancement' as an issue, and very slightly more likely to name recruitment as a problem. However, there is a danger with using people's perception as a proxy for concrete issues or for actual, or likely impact. Humans are biased and subjective in many ways which creates a confirmation bias, namely highlighting the evidence that confirms a previously held position and discounting anything that does not. For that reason, in this report we have not spent much time on perception-based responses when identifying problems or solutions.

The differences between men and women's views on issues that are driving inequality in workplace⁵⁴



Why does the seniority gap vary by sector?

So far, our analysis has looked at the overall picture for senior women and the structural barriers that mothers often face when progressing in their careers. Whilst some sectors perform better than others in getting more women to the top, there has been relatively little rigorous analysis on the causes of this variation. Industries which are client facing, require significant travel or have a culture of long and/or unpredictable hours seem to do worse on gender equality. This helps to explain the low representation of women in professional services firms, such as lawyers and strategy consultants.⁵⁵ There is also evidence that 'presenteeism' and a long hour's culture contributes to gender gap as well.⁵⁶

To explore this hypothesis, we looked at a combination of EU data on working conditions and UK business travel to create the below index. The working conditions data we used covers four indicators of work intensity and unpredictability to illustrate how 'family friendly' the workplace is. They are:

Speed. This indicator relates to the proportion of survey respondents who reported being required to work at high speeds at least three-quarters of the time.

Deadlines. This indicator reflects the proportion of respondents who reported working to tight deadlines at least three-quarters of the time.

Time. This indicator encompasses the proportion of respondents who said there was 'never' or 'rarely' enough time to get the job done.

Travel. This indicator measures the proportion of corporate travel expected for each employee.

For each of these indicators, we ranked the sectors against each other. From this, we made a composite index of working patterns. We found that the sectors with the greatest work intensity, with the most unpredictability and with significant travel demands correlate to those with the worst gender pay gaps.

⁵⁴ Garcia-Alonso, J. et al 'Getting the Most from your Diversity Dollars,' BCG, 2017.

⁵⁵ McKinsey&Company, *Women in Law Firms*, 2017. Chambers Student, *Gender in the Law Survey*, 2014.

⁵⁶ McKinsey&Company, *Women in the Workplace*, 2017.

How different sectors compare

Sector (1 is the worst 10 is the best)	Expected to work at a high speed	Expected to work to tight deadlines	Expected to complete work in insufficient time	Expected to travel extensively for work	Worst overall ranking
Industry and manufacturing	1	3	1	2	1
Construction	1	1	5	4	2
Transport	4	2	5	2	3
Financial services	6	4	2	5	4
Commerce and hospitality	1	6	8	6	5
Health	4	6	1	9	6
Other services	6	5	5	8	7
Public administration	8	8	8	3	8
Education	9	9	4	7	9

This is not surprising. As numerous interviews we conducted have shown and as other studies have demonstrated, the ‘motherhood penalty’ is clearly greater in a business that cannot - or will not - accommodate “family friendly” working because of client demands, functional constraints or internal culture. Conversely, sectors that have a long-standing commitment to flexible working practices, such as the public sector tend to have smaller gender gaps.

Our hypothesis - supported by several interviews - is that private sector firms that can deliver predictable, manageable working hours and a culture of accommodating requests for flexibility will do better at retaining and promoting women.

What can we do about it?

Quick Summary

- The lack of progression opportunities for part-time employees appears to be the largest contributor to the seniority gap. The majority of executive efforts should focus here (we think this probably applies to other flexible work, but the available research does not focus on this).
- Four ways to tackle this problem are:
 - permitting job-shares for senior roles;
 - allowing some senior roles to be part-time;
 - explicitly supporting flexible working; and
 - developing career acceleration opportunities for people returning to full-time work.
- Societally, encouraging men to be carers would also have a major impact.
- To deal with other contributors to the seniority gap, companies need to find a way to overcome bias and the consequences of ambiguity in the workplace. There are a range of methods to achieve this including:
 - Comparative judgement techniques;
 - Defined feedback;
 - Structured interview processes; and
 - Independent evaluation methods.

All of these efforts are attempts to remove subjective judgement where possible - and mirror attempts in other areas to structure actions (such as education).

- There are also a range of interventions for which there is very mixed evidence including:
 - Female role-models; and
 - Unconscious bias training.



In the previous chapter we looked at the evidence on causes of the gender seniority gap which is likely to apply to the insurance and long-term savings industry. In summary, we found that:

- The ‘motherhood penalty’ and the resultant decision to work part-time or reduced hours, tied to the lack of progression for part-time workers is the dominant factor;
- There is also some unconscious bias against mothers, including in feedback and appraisal;
- There is some evidence of other effects, and in particular:
 - Different behaviour from women (for example over negotiation); and
 - Forms of unconscious bias.
- Working practices and cultures help to explain some of the gaps across industries.

In this chapter we look at what organisations can do to reduce the gap and what is unlikely to work. While there are a number of interventions where the evidence of their demonstrable effect is poor, a lot of the recommendations we make are good hypotheses based on the best information available. Whilst our recommendations still need to be tested they are, from our analysis, the most likely to be effective. We acknowledge that each firm is likely to be different, and that a one-size-fits-all prescription would be inappropriate. Nonetheless, we feel the following evidence-based principles should guide companies’ interventions.

Flexible working

If the lack of part-time opportunities and lack of progression due to reduced hours is the largest contributor to the gender seniority gap, then the majority of executive efforts should focus here:

There are four plausible ways to do this:

1. Allowing people to ‘job share’ senior roles;
2. Allowing some senior roles to be part-time;
3. Through explicit flexible working practices and support;
4. Through acceleration of careers once people do return to full-time work.

Job-shares

How the Civil Service manages job-shares

The UK Government has probably done more than any other large organisations to promote part-time working:

- It created a job share finder which allows people to find ‘matches’ based on their current level and whether they are looking to stay on the same level or be promoted;
- You then have the ability to search for people based on a range of measures including area of expertise, role, department and the location;
- It is then up to the two individuals to decide if they would like to apply together for a role as a ‘job share’ and also to decide how they would like to split the job (in negotiation with an employer).

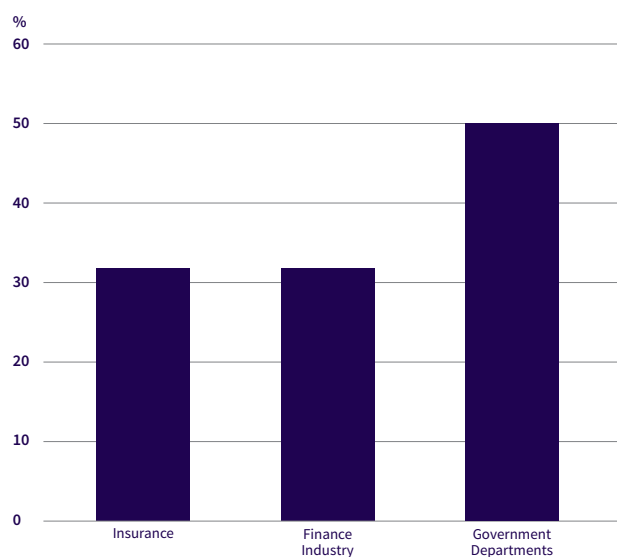
There are now a number of Directors and also a Director General (one below CEO) in job-share roles.

Clearly, this is also because of strong encouragement and commitment on the part of the civil service’s leaders to have senior job-share roles - and therefore a willingness to hold departments to account for it.

“I worked at a consultancy but I didn’t go back after business school, because I couldn’t see any women at the top who balanced family and career in a way that looked attractive. It is completely different in Whitehall. 50% of Directors and Director-Generals in this Department are women - which is actually a better ratio than at graduate intake. Our goal is 50/50 at every level by 2020.”

**Whitehall
Director**

The percentage of women in the upper pay quartile in insurance, finance and government⁵⁷



Case study - Lynda Thomas, Chief Executive of Macmillan Cancer

Lynda Thomas runs an organisation of 1,700 staff, with 7,900 associated professionals and tens of thousands of volunteers. She did a job share for ten years before taking this position. It allowed her to do very senior roles while spending time with her family, and meant she was eligible to apply as CEO.

Recommendations

- The ABI should look to build a job-share portal for the insurance and long-term savings industry modelled on the civil service;
- CEOs should seek to trial at least one senior role where they have some visibility in the next 12 months as a job share and set out clear metrics for success. If it is successful, they should then deliver this throughout their organisation.

Part-time and flexible roles

The obvious advantage of job-sharing is that senior roles are still done full-time. One alternative is to have part-time or other flexible roles. However, these are thin on the ground, at least explicitly.

The availability of part-time and other flexible roles declines as seniority and salary increases. A study by the Joseph Rowntree Foundation found the majority of part-time jobs were for those earning less than £20,000 per annum.⁵⁸ The study also found that part-time jobs were primarily used as a retention tool, for example for those coming back from maternity leave, not to recruit new staff.

Percentage of jobs advertised as open to flexible working⁵⁹



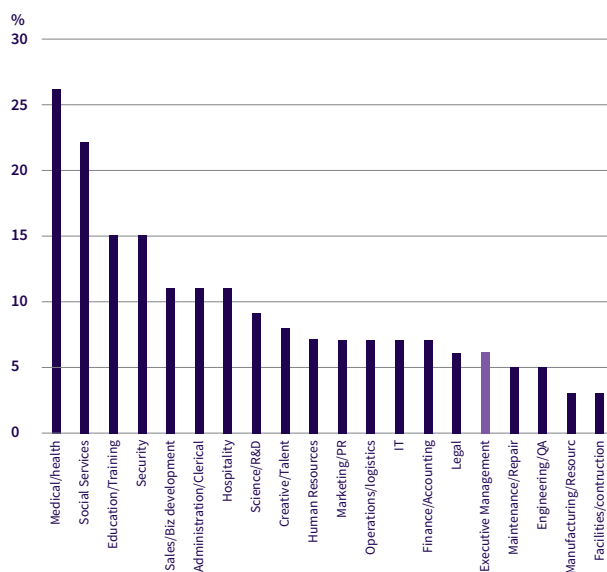
The graph above clearly illustrates that executive management jobs are some of the least likely to be advertised as open to flexibility.

⁵⁷ Aggregated from gender pay gap reports of different companies.

⁵⁸ Stewart, E. et al; 'Building a sustainable quality part-time recruitment market', Joseph Rowntree Foundation, 2012.

⁵⁹ Data collated from gender pay gap reports by FTSE 100 companies, 2017.

Proportion of jobs at £20K+ full time employment, advertised as being open to flexibility⁶⁰



Anonymous case study - a FTSE company where women make up more than 50% of the top quartile

- The full-time working regime is reasonable - it is acceptable and expected to leave work at 5.30pm and flexibility is common and promoted;
- Childcare is made as convenient as possible (including onsite);
- Salary grids are used to make pay as transparent and objective as possible - people do not argue about amounts, they argue about where they are on the grid;
- Aggression is not in the culture - for example, there is no swearing;
- There is constant review of the data - where are they going wrong, what is working, what is not.

How the Civil Service operates for part-time and flexible work

Departments vary, but one example is below:

The department has a Diversity Committee chaired by a Director General which scrutinises end-of-year appraisals. Anyone who has not put a decent number of women, black and minority ethnic (BME), or part-time workers in their top performing quartile has to explain why to the Committee.

That said, it is not perfect. We interviewed one Deputy Director of a Whitehall Department on her experiences:

"The flexibility that the Department offers makes a huge difference to my life. I work full-time, but I do compressed hours - which very few other employers would offer. That means I see enough of my children. Professionally, doing compressed hours has been great because I am still full time and I benefit from working long days when I am in the office. I think that women who leave at 4pm to do pick-ups are perceived to the 'less committed' even if they actually make the hours up later or are on part-time contracts. There shouldn't be a stigma about flexible working, but I think that there still is - at least for the women. For that reason, I don't put my out-of-office on my one day off, nor do I advertise on my email signature that I only work four days a week. The men who work flexibly are much more up-front about it and don't worry about being penalised."

Case study - Pearson

Over a third of Pearson's board is female and the company does well at getting women to progress to the upper middle and top earning quartiles. A key part of Pearson's progression strategy is flexible working. The company offers all employees with 12 or more months service the opportunity to apply for a variety of flexible work arrangements. Pearson offers options for working remotely, working from home, and other flexible working arrangements wherever possible. There has been good take up: as a result of the policy, Pearson has seen increased diversity in working arrangements.

⁶⁰ Stewart, E. et al; 'Building a sustainable quality part-time recruitment market', Joseph Rowntree Foundation, 2012.

Recommendations

- Companies should monitor the percentage of jobs, across different functions, which mention flexibility;
- CEOs should consider requiring managers to justify any decision to refuse flexible working, for new roles or current roles to a central committee.

Accelerating full-time returners

A final alternative, although not one we have found a good case study for, would be to focus on accelerating career progression once women are able to return to full-time roles. If it is impossible in business terms, to manage part-time or job-shared roles then this is an alternative to test.

Recommendations

- Companies should try accelerated development and promotion programmes for women of high potential that have been working part time and measure their impact in terms of:
 - i. Promotion;
 - ii. Performance, through objective metrics, of the promoted people;
 - iii. The ABI could support this through their own executive development leadership development programme, Future Leaders.

Better supporting parents

From a societal point of view, the easiest way to solve this challenge is if both parents took equal responsibility for child-rearing. However, while companies can make it easier for one parent to take parental leave and work flexibly, this will not have an effect on the performance of the other parent (since partners do not tend to work for the same company or even industry). That said, we do think this is important for companies to do as part of shifting the wider culture.

Transparency and objectivity

The main factors, other than motherhood, that contributed to the seniority gap were:

- Different behaviours when faced with ambiguity, such as whether to negotiate;
- Unconscious bias affecting application and promotion including through:
 - Candidate selection; and
 - Candidate feedback and evaluation.

The most effective way to deal with these is to:

- Remove ambiguity from situations (such as negotiation); and
- Remove subjectivity from decision making.

The best way to do this is through:

- Formal application and evaluation systems;
- Where possible, the use of comparative rather than objective judgements; and
- The injection of independent observers.

In this section, we give a range of examples of how this could be achieved but the key purpose is the same: to remove subjectivity and ambiguity from the process.

Negotiation

In our previous section, we found that if negotiation for salary was transparent this changed the way in which women behaved and made negotiation behaviour effectively equal. The obvious consequence of this is to be explicit about:

- What the opportunity for negotiation is; and
- What the bounds of negotiation are for all jobs, promotions and bonuses.

Recommendations

- Companies should enforce transparency over the negotiation boundaries and abilities in all job applications and performance appraisals.

Objectivity over appraisal and hiring

Since unconscious bias plays such a large role in hiring and evaluation decisions, we need to find ways to remove that bias. There are a number of options, of which the measurably successful are:

- **Standardised tests.** Standardised tests have been demonstrated to predict performance more accurately than interviews.⁶¹ If it is possible to develop relevant tests, this should be a priority (some sectors, like academia, can rely on peer-reviewed papers as a proxy);
- **Structured interviews.** A study by a Professor at the University of Washington found that interviews with clear checklists are effective at reducing subjectivity in the interview process, and therefore avoiding bias. Checklists have also been effective in other fields such as performance in surgery.⁶² Structured interviews were recently highlighted by the Government Equalities Office as being one of the most effective gender pay gap interventions, based on an analysis of the best available evidence;⁶³
- **Independent evaluators.** PricewaterhouseCoopers (PwC) in the Netherlands found that since introducing a third-party observer in all promotion committees, a third of all partner and director appointments have gone to women.⁶⁴
- **Comparative judgements.** Judgements that put people on a scale against each other remove both bias and the ability of men to out-negotiate.⁶⁵ For example:
 - Comparing candidates. Research by Iris Bohnet of Harvard found that when evaluators were forced to compare between different candidates they were more likely to judge fairly.
 - Comparative judgement techniques in assessing pupil performance have much higher validity than other forms of assessments.
 - Salary and bonus grids remove ambiguity over pay-levels and mean people only argue about their place on the grid rather than absolute amounts.

Bohnet produced her own checklist for interviews which we have reproduced below:

Prepare

1. Determine number of interviewers and their demographics;
2. Determine questions.

(Use your own data and analytics to determine what works best.)

During

1. Interview separately, not in groups;
2. Ask questions in the same order;
3. Score answers to each questions immediately.

After

1. Compare answers to questions across candidates, one question at a time;
2. Use pre-assigned weights;
3. Submit scores to a lead evaluator;
4. Meet to discuss controversial cases.

The same principles could be applied to promotion and to feedback. For example, feedback templates and checklists can be designed so that women and men receive the same concrete performance feedback and comparative judgements between employees can be used to calibrate that feedback.

Recommendations

- Companies should assess their hiring, promotion and feedback procedures to see if:
 - i. Undue weight is given to unstructured interviews;
 - ii. If more standardisation, comparison, or independent evaluation could be applied.
 - iii. Companies should also track the results of these initiatives against performance of successful candidates.

⁶¹ Bateson, J. et al. 'When Hiring, First Test, and Then Interview,' *Harvard Business Review*, 2013.

⁶² Gawande, A. *The Checklist Manifesto: How to Get Things Right*, 2009.

⁶³ Government Equalities Office, *Actions To Close The Gender Pay Gap*, August 2018.

⁶⁴ PwC, *Time to talk: What has to change for women at work*, 2018.

⁶⁵ Bohnet, I. 'How to Take the Bias Out of Interviews,' *Harvard Business Review*, 2016.

Other common interventions and the evidence

Female-friendly roles

There is good evidence that wording on applications can be inadvertently male-orientated in a way that puts off a female applicant. Words like 'competitive' draw a more male dominated pool of applicants, whereas words like 'innovative' and 'enthusiastic' are more gender neutral. A study by McKinsey found a 40% increase in female applications by changing the descriptors.⁶⁶

Recommendations

- The ABI should develop a series of 'watch words' that are likely to poorly impact applications and share these with HR departments;
- Companies should share, moderated through the ABI, successes they have had in increasing female applications for roles.

Highlighting female role models

The evidence on role models is highly mixed:

- A study of academics found that having female role models in senior positions made no difference to job opportunities and advancement;⁶⁷
- The evidence on the impact of female board members on other roles of women is also mixed.

An analysis of law firms did find that the number of senior women had a direct impact on whether junior women stayed at the firm - but we do not know if those senior women were also sponsors or mentors.

Our assessment is that highlighting female role models is unlikely to make a major difference.

Leadership training and mentoring

In her book 'What Works' Professor Iris Bohnet of Harvard investigated the most effective interventions for gender equality.⁶⁸ One of her conclusions was that "the impact of leadership training, let alone leadership training targeted at women, was largely unknown". Most reports gave perception evidence, (e.g. women enjoyed being on the programme and thought it was valuable) but no hard evidence on the impact on gender equality in the workplace. Evidence on mentoring is similarly unclear, with the added problem - reported in a number of studies - that mentoring is often poorly defined.

However, there is more evidence that coupling leadership development with mentoring is effective. A randomised control trial of a programme that combined these development initiatives with academics found that three years after the training they were 20% more likely to have a top-tier publication and after five years 25% more likely to have a top-tier publication than their peers.⁶⁹

One of the interesting things about this programme was that it included highly specific training - on research and publishing, teaching and grant-writing. While there is no evidence for this, one credible hypothesis is that domain-specific training - i.e. how to do your job better - is more successful than generic 'skills training' (e.g. how to network).

Recommendations

- Firms and the ABI should evaluate their leadership development programmes not only in terms of perception but also in tracking forward to promotion, remuneration, and evaluation;
- Companies and the ABI should look at whether there are opportunities to adapt their programmes to combine mentorship and 'domain specific' development and measure their success against current programmes;
- All companies offering training should be required to demonstrate results - not just good evaluations from participants.

⁶⁶ Desvaux, G., Devillard-Hoellinger, S. and Meaney, M. 'A Business Case for Women,' *The McKinsey Quarterly*, 2008.

⁶⁷ Neumark, D. and Gardecki, R. 'Women Helping Women? Role Model and Mentoring Effects on Female Ph.D. Students in Economics', *Journal of Human Resources*, 1998.

^{68 & 69} Bohnet, Iris. *What Works*, 2016.

Diversity training and unconscious bias training

Unconscious bias training is the most common intervention named in gender pay gap reports. It is an intuitive response, if people are unconsciously biased, teaching them about it and how to overcome makes sense.

The challenge is that overcoming our biases, however good our intentions, is extremely difficult. This is true in all areas where cognitive bias comes in, not just gender.

Companies spend a lot of money on unconscious bias training, but the evidence for its success is low. Almost no research on its impact have high validity. A review of around 1,000 studies by academics at Princeton and Yale found a “dearth of evidence” on whether they worked.⁷⁰

A study of more than 800 mid-to-large US companies over three decades found that the levels of diversity training provided had no direct correlation to the diversity of the workforce. In some cases, training was even associated with a small decline in minority groups becoming managers.⁷¹

Quotas and targets

Quotas are not always popular, but there is good evidence that targets and quotas do change behaviour. For example, in France in 2012, quotas were put in place for the number of women in top public-sector jobs. As a result, there was an increase from 21.4% of women in top public-sector jobs in 2013 to 28% in 2015.⁷² In the UK, the Women in Finance Charter commitments have had an accelerated impact on board and senior management behaviour in a wide range of firms.

Case study - Marks & Spencer (M&S) Non-Executive Directorships (NEDs)

M&S was keen to increase the number of women NEDs and developed a targeted strategy to achieve this, which included female long list quotas. Firstly, the firm is committed to considering candidates from a wider field, including those with little or no listed company board experience. Secondly, all long lists of potential NEDs must include 50% women candidates. Finally, M&S will only work with recruitment firms that have signed up to the Voluntary Code of Conduct on gender diversity and best practice. Women account for 30% of the M&S Board and 40% of its Operating Committee.

⁷⁰ Bohnet, Iris. *What Works*, 2016.

⁷¹ Kalev, A., Dobbin, F. and Kelly, E. ‘Best Practices or Best Guesses? Assessing the Efficacy of Corporate Affirmative Action and Diversity Policies,’ *American Sociological Review*, 2006.

⁷² EY, *Senior Civil Service Women’s Leadership Index*, 2016.

Are companies doing the right thing?

Quick Summary

- According to gender pay gap submissions, companies are implementing a wide range of initiatives to support gender balance;
- However, there is little correlation between those efforts and the evidence base we outlined in this report;
- The practical details of the interventions are also lacking;
- Our further analysis of:
 - Case studies; and
 - Companies providing services to improve gender diversity show a general lack of reported results.
- In conclusion, companies could improve their record by doing more of what the literature finds effective.

What are companies doing?

As part of this research we analysed the gender pay gap submissions of:

- FTSE 100 companies in insurance and long-term savings, financial services, pharmaceuticals, tech/digital, and construction; and
- Members of the ABI.

We found that some actions were named by a very high percentage of companies:

- Unconscious bias training;
- Networking;

- Mentoring;
- Development/leadership programmes;
- Reviewing recruitment procedures;
- Balance requirements for shortlists.

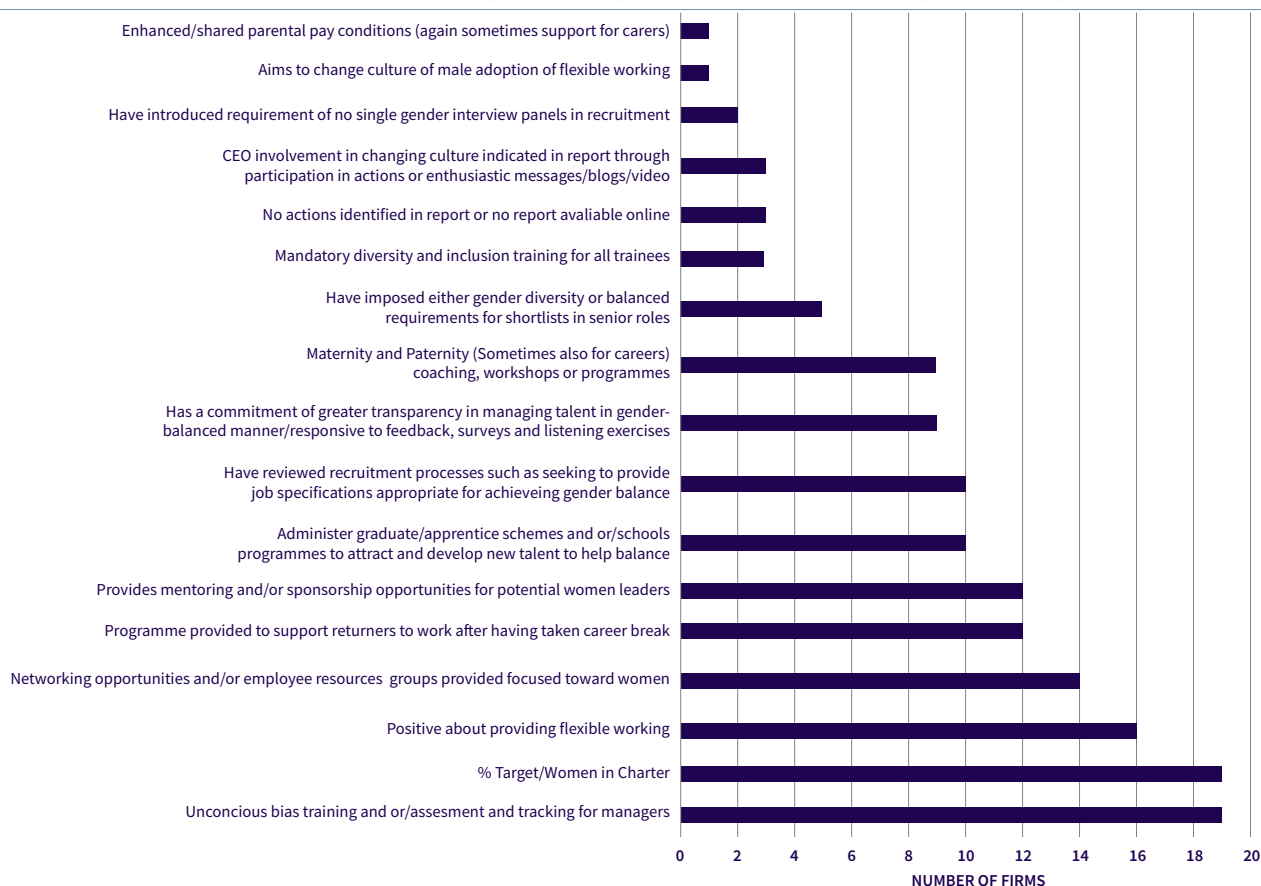
The two charts in this section show this. They list the number of reports that name particular interventions among the FTSE 100 and by insurance and long-term savings companies. Those interventions are listed in the context of what companies are doing to address the gender pay gap.

The most common interventions to close the gender pay gap in the FTSE 100⁷³



⁷³ Collated analysis of Gender Pay Gap reports and listed interventions, 2017.

The most common interventions to close the gender pay gap in the insurance and long-term savings industry⁷⁴



The most popular interventions listed in gender pay gap reports do not correlate well with the evidence on what is most likely to be effective.

A lack of evidence

Most of these interventions, as the previous sections have made clear, correlate poorly with the biggest drivers of the seniority gap and the biggest solutions. From some discussion and interviews with the ABIs members show that there is an awareness of the importance of flexible working, but little structural attempt to drive it through the organisation.

We found the same with case studies within the insurance and long-term savings industry and outside. We analysed dozens of case studies and found that very few organisations were clear about the cause of their gender gap problems, strategic in proposing solution, or - crucially - were systematic in collecting results.

For example, mentoring features prominently in many organisations' gender gap strategies. Strikingly, hardly any use concrete metrics to identify whether these interventions are producing results. Generally, firms give one of two

'success' metrics: the organisation reports on the number of women who have participated in mentoring programmes or they issue a figure for the proportion of participants who say they found the mentoring useful. Some companies do both. But hardly any make an attempt to link the mentoring interventions to demonstrable, measurable outcomes (for example, the number of mentees receiving promotion compared to non-mentees). We are not dismissive of mentoring, but we would like to see companies improve their evaluation strategies so that there can be greater clarity about what works.

Similarly, we looked at around 50 different companies that provided training - such as unconscious bias training - and development programmes. Almost none of them had any concrete outcomes described (at least publicly - it is possible they provide this to prospective clients, but we have not found it).

Where next for the ABI and its members? Guiding principles and recommendations

Like in many other industries, women in the insurance and long-term savings industry are underrepresented at managerial level and above. This is not down to a lack of commitment on firms' part: it is clear that companies are already doing a huge amount, across a number of areas, to increase the number of senior women. It is also clear from this work that:

- There is no simple pattern of 'good' vs 'bad' performers in the industry;
- Companies probably have a lot of success stories that aren't being shared;
- There is no clear correlation between the most popular interventions companies are using and the best evidence of what works;
- There is a lot we still don't know about what works and what doesn't.

What we do know, however, is that the dominant reason for the gender seniority gap seems to be working patterns associated with motherhood, not different treatment of, or behaviours by, women in general. To make a significant difference to the seniority gap, we need to put effort where it will make the most difference: and make it easier for part-time or formerly part-time employees to advance. We also need to get better at testing, measuring, tracking and sharing interventions.

We have made a number of specific recommendations about what the ABI and its members should do next. Each recommendation comes under one of the following four themes: experimentation; data; reporting; and targeted action.

The guiding principles

Experimentation

CEOs and others should be comfortable making clear that we do not know everything that works and that no industry or company has cracked moving from major seniority gaps to equality yet. This means that experimentation is necessary and we would strongly advise that CEOs try different methods across different parts of the business to measure impact.

We recommended trials of:

- Job shares; flexible and part-time working; and accelerated development programmes;
- Increased structure and standardisation of hiring, promotion, and evaluation procedures, with the use of techniques like comparative judgement;
- Combining leadership development and mentorship programmes.

We think the ABI can play a facilitating role - for example through the creation of a job-share portal. They can also shape the agenda through their own Future Leaders executive development programme.

Data

If the insurance and long-term savings industry wants to make a concerted effort to improve the number of senior women, the consistency and quality of data tracking must be put in place. As part of this report we were not able to see exactly what individual companies did, but from our conversations with ABI members it was clear this was neither consistent nor, in many cases, truly effective at tracking the impact of interventions. It was also clear that the majority of organisations providing training were providing no concrete outcomes, at least not publicly.

We recommended tracking all current and future interventions to see whether pay and promotion actually increases.

We strongly recommend that current perceptions of training programmes should form only a small part of evaluating their success.

Here, we think the ABI could be an important marker of quality by evaluating what has the best outcome and feeding this back to members. It could set out criteria for good outcomes and list initiatives and services that meet those criteria.

This could be a ‘What Works’ online resource that combines academic evidence with high quality case studies that show impact with clear steps for companies to follow.

We also think there is a potential role for the ABI as the trainer on what works to companies. Once there is good evidence for an intervention, there needs to be a concerted effort to help companies adopt it: the ABI could play that role.

Reporting

At present, there is little clarity over what exactly companies are doing and what measurable impact this is having. Publicly, descriptions of the initiatives in place to address the gender seniority gap are extremely vague and high level. As a bare minimum, there should be detailed analysis of the content and impact of initiatives which would be available to employees and externally.

Detailed explanation of interventions would allow the ABI to look at common trends and how they relate to success.

Targeted action

The exact cause of the gender seniority gap may differ slightly from company to company. Whereas some firms do well at representation but less well at progression; for others, the opposite is true. We have outlined the general themes and hypotheses in this report but the appropriateness of specific interventions may vary. Firms should analyse where their weaknesses lie and allocate effort and resources accordingly.

Moreover, our analysis shows there is a substantial mismatch between what companies are doing to address the gap, such as unconscious bias training and what works, such as comparative judgement for hiring. As well as what are the largest contributors to the gap, namely women's greater propensity to work part-time and undertake other forms of flexible work.

If we are serious about closing the seniority gap, firms need to be focused and target action on the real drivers of change and implement what is effective.

Summary of recommendations

While companies are already doing a great deal to increase the number of senior women, we have identified four broad themes for further work, experimentation, better data collection, clearer reporting and targeted action. Each of the following recommendations fall under one of these guiding principles.

Experimentation

- The ABI should look to build a job-share portal for the insurance and long-term savings industry modelled on the civil service.
- CEOs should seek to trial at least one senior role where they have some visibility in the next 12 months as a job-share and set out clear metrics for success. If it is successful, they should then deliver this through their organisation.
- Companies should try accelerated development and promotion programmes for women of high potential that have been working part time and measure their impact in terms of:
 - i. Promotion;
 - ii. Performance, through objective metrics, of the promoted people; and
 - iii. The ABI could support this through their own executive leadership programme, Future Leaders.
- Companies should assess their hiring, promotion and feedback procedures to see if:
 - i. Undue weight is given to unstructured interviews;
 - ii. If more standardisation, comparison, or independent evaluation could be applied; and
 - iii. Companies should also track the results of these initiatives against performance of successful candidates.
- Companies and the ABI should look at whether there are opportunities to adapt their programmes to combine mentorship and 'domain specific' development and measure their success against current programmes.

Data

- The ABI should conduct further analysis with the insurance and long-term savings industry to understand:
 - i. changes in entry-level gender splits over the last 20 years;
 - ii. whether some roles are overrepresented or underrepresented by women; and
 - iii. the extent to which women stay in the insurance and long-term savings industry at a junior level or exit altogether.
- Companies should monitor the percentage of jobs, across different functions, which mention flexibility.
- Firms and the ABI should evaluate their leadership development programmes not only in terms of perception but also in tracking forward to promotion, remuneration, and evaluation.

Targeted action

- The ABI should:
 - i. Analyse the extent to which different patterns in progression among companies can be correlated to different company models;
 - ii. Controlling for this, investigate company practices that are resulting in better progression and entry rates, and use this to drive best practice across the industry; and
 - iii. Host an annual event for companies where the most successful discuss their initiatives.
- Companies should enforce transparency over the negotiation boundaries and abilities in all job applications and performance appraisals.
- The ABI should develop a series of 'watch words' that are likely to poorly impact applications and share these with HR departments.

Reporting

- Companies should collect and make available privately to the ABI, data on roles as well as pay quartiles to allow better analysis on impact and progression.
- CEOs should consider requiring managers to justify any decision to refuse flexible working, for new roles or current roles to a central committee.
- Companies should share, moderated through ABI, successes they have had in increasing female applications for roles.
- All companies offering training should be required to demonstrate results - not just good evaluations from participants.

The ABI's work on diversity & inclusion



As the leading trade body for the insurance and long-term savings industry, the ABI has been at the forefront of driving change and highlighting the work done by our members to improve inclusion in our industry. Our first diversity data collection in 2018 revealed the scale of the challenge we face but showed that three out of four of our members are taking action to tackle the lack of senior women, amongst other inclusion issues. This was also reflected in our own gender pay gap report, which we voluntarily published in 2018 to signify our commitment to achieving gender parity.

The ABI was the first financial services trade association to sign the Women in Finance Charter, a joint effort between HM Treasury and signatories to work together to encourage a better gender balance across financial services. As a signatory, the ABI has committed to a 45% / 55% female to male split across management positions by 30 June 2019, a target we are proud to have met.

Alongside this, we have our Talent & Diversity network which brings together member firms on key inclusion issues, with past network meetings covering black, Asian and minority (BAME) inclusion, disability initiatives and gender pay gap reporting. The ABI would like to extend its thanks to the Talent & Diversity network for its support in producing this report.

One of the key themes that has come out of this report is the need for coordinated cross-industry action to tackle the scale of this issue. The ABI has the ability to bring together its member firms to enact meaningful change. This started with the CEO Diversity roundtable in early 2018, which prompted this report and was followed by a LGBT+ inclusion breakfast in May.

The ABI has supported initiatives such as Dive In, the global industry diversity festival and has worked with industry-wide networks such as the Independent Women in Insurance Network (IWIN), The Insurance Supper Club and The Insurance Cultural Awareness Network (ICAN). As part of the pledge through the first sector specific UN solidarity movement for gender equality, ABI Director General Huw Evans committed to mentor two women who have either returned to work following maternity leave or who are from a background under-represented in insurance. Alongside this, we have partnered with OUTstanding and EMpower and are a signatory of the Inclusive Behaviours Pledge, which aims to address all forms of potential discrimination in the workplace.

We also provide the opportunity for our members to support their most promising employees and provide a pipeline for executive women with Future Leaders, a professional development programme for up and coming senior industry leaders. We strive for gender balanced programme and the ABI is pleased to announce that the 2019 cohort has a 50 / 50 split.

Internally, the ABI has launched its own inclusion strategy, carried out unconscious bias training for all staff, enhanced its maternity and shared parental leave pay and has extended its use of blind recruitment. Louise Hanson, Director of Advocacy is the ABI Executive Sponsor for Gender Inclusion and Yvonne Braun, Director of Policy, Long-Term Savings and Protection, is the ABI Executive Sponsor for LGBT+ Inclusion.

The ABI Team



Louise Hanson
Director of Advocacy,
Executive Sponsor
for Gender Inclusion



Adeola Ajayi
Advocacy Manager



Isobel Graham
Advocacy Assistant



Yvonne Braun
Director of Policy,
Long-Term Savings
and Protection,
Executive Sponsor
for LGBT+ Inclusion





Association of British Insurers
One America Square, 17 Crosswall,
London EC3N 2LB
T: 020 7600 3333 | abi.org.uk
September 2018