

# Economic Insights

## Gender diversity increases economic and insurance sector growth

### Key takeaways

- Improved gender diversity could raise global output by close to 25% in 2025, and increase insurance premiums by USD 1.7 trillion.
- Gender diversity increases operational efficiency and financial performance, attracts top talent and supports employee retention.
- Investors are increasingly demanding gender diversity at senior management and board levels. The re/insurance sector does not score well on this metric.
- The insurance industry should promote diversity in senior and executive management.

### About Economic Insights

Analysis of key economic developments and their implications for the global re/insurance industry.

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### In a nutshell

Promoting gender diversity would drive economic growth, increase insurance premiums and penetration, making the world more resilient. Re/insurers also stand to gain from better financial performance with a more diverse workforce.

We believe that promoting gender equality can help countries realise their potential and drive economic growth. Greater female inclusion in the labour force infuses economies and firms with informational and social diversity, increasing output and yield widespread increases in societal welfare and prosperity while strengthening their decision-making capabilities.<sup>1</sup> One study estimates that if women had equivalent labour-force participation rates, average working hours and sector representation as men, USD 28 trillion could be added to global GDP by 2025, equivalent to adding US plus China.<sup>2</sup>

How does gender diversity add to enterprise value? (1) Studies show that greater gender diversity in management correlates with improved organisational effectiveness and financial performance. In Asia, for example, on aggregate companies in the top quartile for women's representation in executive committees have 44% greater return on equity and 11.7% greater EBIT margin.<sup>3</sup> (2) Employees are more likely to trust leaders improving worker retention and efficacy. Companies promoting gender equality are also better positioned to attract top talent;<sup>4</sup> and (3) Investor concern over diversity is rising, focusing on firms with a track-record in promoting gender diversity, particularly at the board and senior management level. In 2018, Bloomberg recorded at least eight mutual and exchange-traded gender-focused funds.<sup>5</sup>

Within the context of cultural norms, familial and/or social expectations can lead to women not seeking education or employment, even where there is desire to do so. Further, when women do enter the workforce, as has been well-publicised, they often face discrimination in salary and promotions. In some nations, women are treated differently from men in the legal code,<sup>6</sup> and many countries fail to adopt legal protection against gender discrimination.

From a purely national economic growth perspective, we believe emerging markets have most to gain from promoting gender diversity. Women in underdeveloped regions are more likely to face codified and informal barriers to entering the workforce, meaning there is a much greater pool of untapped female potential than in advanced markets.<sup>7</sup> Removing these barriers would

<sup>1</sup> Lagarde, C. and Ostry, J.D., "The macroeconomic benefits of gender diversity," *Vox*, December 2018.

<sup>2</sup> *The Power of Parity*, McKinsey, 2015

<sup>3</sup> *Time to Accelerate: Ten Years of Insight into Gender Diversity*, McKinsey, 2017.

<sup>4</sup> *Diversity and Inclusion: The Reality Gap*, Deloitte, 2017

<sup>5</sup> *Unlocking gender diversity's value*, Bloomberg Professional Services, 18 October 2018

<sup>6</sup> *Call to Action for Gender Equality and Women's Economic Empowerment*, United Nations, 2016

<sup>7</sup> The codified and informal barriers include: unequal educational opportunities, social stigma, bans on working in certain professions, and restrictions on working hours. United Nations, op. cit.

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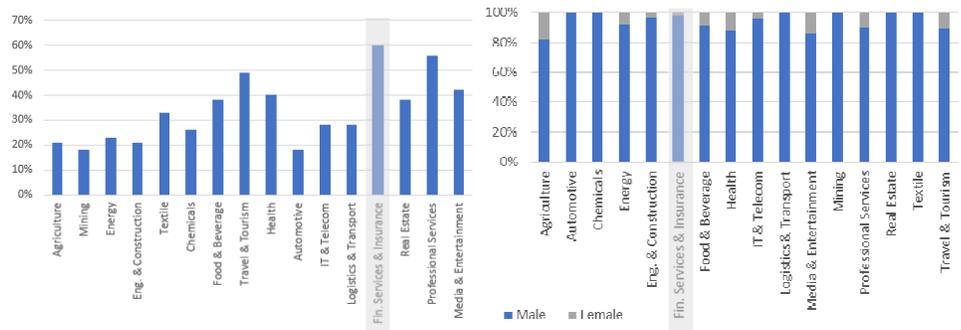
## Gender diversity increases economic and insurance sector growth

grow regional GDP in South Asia, Latin America, and Sub-Saharan Africa by 48%, 34%, and 27% respectively.<sup>8</sup> Likewise, gender inequality in the work force remains widespread and persistent, even in advanced markets. For example, a recent report says that in the OECD countries, the average gender pay gap is 15%. Eliminating this gap would contribute USD 2 trillion or 2.3% to global GDP.<sup>9</sup> The same report also says that raising the average female employment rates in OECD countries to the level in Sweden (the highest)<sup>10</sup> would add an additional USD 6 trillion, or 7% to global GDP.

**Figure 1:**

Percentage of women employees by industry (LHS) and company CEO by gender (RHS) (2010)

Source: World Economic Forum



Gender equality is particularly relevant to re/insurers. Swiss Re Institute estimates that the higher global GDP would translate into additional USD 1.7 trillion global insurance premiums higher by 2025 (assuming unit elasticity to GDP), an increase of 25%. The S-curve also shows that some developing markets stand to gains more from gender diversity, as rising insurance penetration rates help close protection gaps.<sup>11</sup>

The re/insurance industry does not score well on gender diversity. Although the share of female employees in financial services and insurance is around 60%, higher than in many other industries, at senior leadership level the industry scores significantly below the average (see Figure 1).<sup>12</sup> For example, in the UK, the median pay gap in the insurance sector was 29.5%, above the average for financial services (24%) and the whole economy (9.6%). In the US, women in insurance earn only 62 cents per dollar earned by men, far lower than the all-economy average of 80 cents.<sup>13</sup> While the governments should encourage level playing fields, the insurance industry should promote diversity at senior level and a gender friendly workplace.

*This publication is the first in a series focusing on diversity and inclusion.*

<sup>8</sup> Ibid.

<sup>9</sup> *Women in Work Index 2019*, PwC, 2019.

<sup>10</sup> Sweden women's full time employment rate is 63%, compared to 49% in the US, 45% in Germany, 42% in Japan and an OECD average of 49%.

<sup>11</sup> The S-Curve shows higher insurance penetration rates are associated with higher GDP per capita.

<sup>12</sup> *Corporate Gender Gap Report*, World Economic Forum, 2010.

<sup>13</sup> References: ONS for UK data and BLS for US.

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