WHEN WOMEN THRIVE

FINANCIAL SERVICES PERSPECTIVE
ABOUT MERCER

When Women Thrive is a call to organizations and leaders to think and act differently to advance gender diversity. It is a business imperative with deep and profound social implications – an imperative that every business leader needs to personally drive. Now is the time for us to take action.

BE A PART OF IT:

#WhenWomenThrive
@WhenWomenThrive
"When Women Thrive" LinkedIn Group
www.whenwomenthrive.net
wwt@mercer.com

CONTRIBUTORS
Nigel Carter, Partner
Vicki Elliott, Senior Partner
Charlotte Harding, Principal
Anne Hetterich, Associate
Julia Howes, Principal
Carole Jackson, Principal
Pam Jeffords, Partner
Brian Levine, PhD, Partner

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Mercer is a global consulting leader in talent, health, retirement and investment. Mercer helps clients around the world advance the health, wealth and performance of their most vital asset — their people. Mercer’s more than 20,000 employees are based in more than 40 countries, and the firm operates in more than 130 countries.

Mercer is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), a global professional services firm offering clients advice and solutions in the areas of risk, strategy and people. With 57,000 employees worldwide and annual revenue exceeding US$13 billion, Marsh & McLennan Companies is also the parent company of Marsh, a leader in insurance broking and risk management; Guy Carpenter, a leader in providing risk and reinsurance intermediary services; and Oliver Wyman, a leader in management consulting.

RESEARCH SURVEY CONDUCTED IN COLLABORATION WITH EDGE CERTIFIED FOUNDATION

EDGE is the only global assessment methodology and business certification standard for gender equality. The EDGE assessment methodology was developed by the EDGE Certified Foundation and launched at the World Economic Forum in 2011. EDGE Certification has been designed to help companies not only create an optimal workplace for women and men but also benefit from it. EDGE stands for Economic Dividends for Gender Equality and is distinguished by its rigor and focus on business impact. The methodology uses a business rather than theoretical approach that incorporates benchmarking, metrics and accountability into the process. It assesses policies, practices and numbers across five areas of analysis: equal pay for equivalent work, recruitment and promotion, leadership development training and mentoring, flexible working and company culture.

EDGE Certification has received the endorsement of business, government and academic leaders from around the world.
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CLOSING THE GENDER GAP: 
A BUSINESS IMPERATIVE

Women are still a staggering 117 years away from closing the gender gap — in terms of labor market opportunity, education, health and political clout — according to the World Economic Forum’s recently released 2015 Global Gender Gap Report,¹ which states gender parity will not happen until 2133!

We can — and must — do better, and employers and leaders have a critical role to play. The reward will be not just a thriving workforce but thriving businesses able to capitalize on the talents of all to drive innovation and growth. In fact, a significant body of research and industry reports over the past two decades suggest a link between larger female representation in the workplace and various company performance measures — including better financial performance; higher return on sales, equity and invested capital; higher operating results; better stock growth and more.¹ The reasons for this are likely related to the insight diverse talent brings to the business, an ability to understand and design products and services aligned to the needs and wants of increasingly diverse customers, and the positive brand image resulting from greater gender diversity.

Our When Women Thrive, Businesses Thrive global report is the most comprehensive look at women in the workplace. Our research covers responses from 583 companies across 42 countries, including data on 3.2 million employees, making it the largest study of its kind.

Key findings from our global research show that women continue to be underrepresented in the workforce at all levels and that female representation declines as career level rises. In fact, women make up only 20% of the average company’s workforce at the executive level and only 35% at the professional level and above. Additionally, organizations are failing to build future female talent pipelines. Current female hiring, promotion and retention rates are insufficient to create gender equality over the next decade.

In our full global report, we share information about the strategies and tactics that are moving the needle and those that are not. We tell you which levers are associated with the largest gains and provide specific steps you can take to increase the representation of women in your organization. Finally, we share with you a proven roadmap — no matter where you are today — to make the journey to a thriving and gender-diverse workforce.

In this market report, we share specific data and insights that organizations in the financial services industry can use to map their own journeys to greater gender diversity. These are based on survey responses from 67 finance/banking organizations that participated in our When Women Thrive research. The participating organizations that agreed to be recognized are listed in Section 7.
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HELPING WOMEN THRIVE IS AN IMPERATIVE FOR THE FINANCIAL SERVICES INDUSTRY

“In an era where financial services firms face increasing competition from new market entrants, ever-present regulatory overhead and the challenge of achieving growth in a low interest rate environment, it’s critical to build greater innovation and flexibility into the workforce. A proactive approach to diversity planning will broaden the talent pool and enhance workplace culture to better prepare financial services firms to thrive in the future.”

— Nigel Carter, Partner and Global Leader, Financial Services Industry

The predominance of men in senior positions in financial services is a symptom of broader problems within the industry. Overly narrow criteria for advancement, outdated leadership models, inflexible working practices and bias in talent management all contribute to a lack of diversity, highlighting a recognized need for improved values and behaviors. Tackling these issues is not just a social imperative and “the right thing to do”; it will yield important benefits for the organization, its employees (both male and female), and its customers and investors.

Greater gender diversity can:

(a) Positively impact culture, conduct and risk

A culture of excessive risk-taking, arrogance and group think fueled a number of scandals in the financial services industry in recent years, especially around poor conduct, mis-selling and other mistreatment of customers. Since the financial crisis of 2008, shareholders, customers and regulators have been demanding a change in both culture and conduct. In response, many organizations are working to embed new codes of conduct and align employee behavior with organizational values, such as respect, integrity, fairness, responsibility and “doing the right thing.”

Research suggests organizations with diverse management teams make better decisions, as they are less prone to group think and more able to see issues from many angles. Including:


Greater gender diversity can (continued):

(b) Enhance connection to customers
The future growth of financial services firms is predicated on successfully serving increasingly diverse markets and customers. A diverse workforce can enable organizations to better understand different segments of the population, anticipate their needs and deliver to them. Although women account for 85% of all consumer purchases, determine 89% of decisions on bank accounts and own 40% of stocks, 84% feel misunderstood by investment marketers. Women cite lack of respect, poor advice, contradictory policies and red tape as tiresome obstacles in dealing with financial institutions.

(c) Embrace new competencies leading to future growth
The financial services industry is in a period of unprecedented change: evolving customer expectations; increasing regulation, data and digital innovation; and technology disruption. As the industry reinvents itself and focuses increasingly on higher-value-add advisory and consultation rather than traditional areas, such as payments and transactions, leaders will need new skills and competencies. Skills such as flexibility/adaptability to change, inclusive team management, problem-solving, innovation and creativity will drive success in the new world. Our research suggests female managers may have a higher prevalence of these emerging competencies, whereas male managers have relative strengths in strategic visioning, technical expertise, P&L management and entrepreneurship.

(d) Access a broader talent pool
Successful diversity strategies improve average staff caliber and make better use of half the talent pool — women. A diverse and inclusive workplace is an important part of attracting and retaining the best talent, both male and female. However, mounting evidence suggests the financial services industry is lagging when it comes to embracing gender diversity. Despite the strong business case and call to action, financial services organizations have been unable to make a noticeable difference in executive and midcareer-level representation. Given the importance of the issue, a new approach is clearly needed, and this issue will not fix itself — even with the best of intentions and even with a focus on the implementation of “best practice” programs. The best gender diversity strategies stem from an in-depth review of current practices and policies, relying on predictive workforce analytics.

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CURRENT AND FUTURE FEMALE REPRESENTATION IN FINANCIAL SERVICES

Female Representation Declines as Career Level Rises — and Representation at the Top Significantly Lags Other Industries

Although female representation on boards has increased by two-thirds over the past 10 years, it is still at only 20%, while female representation in executive-level jobs remains even lower, at only 15%. This finding, based on our analysis of participating organizations in the When Women Thrive research, is in line with research by our sister company, Oliver Wyman, which found that only 14% of executive committee members in the financial industry are women. This level of representation is significantly below that of the average organization across all industries included in our When Women Thrive research, in which women make up 20% of the executive rank.

Moreover, our When Women Thrive data show that although women make up more than two-thirds of support staff in the average financial services organization, their representation falls as career level rises, with women comprising only 37% of managers and 26% of senior managers.

FIGURE 1. REPRESENTATION OF FEMALE VERSUS MALE EMPLOYEES AT ALL LEVELS

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4 Oliver Wyman. Women in Financial Services 2016.

7 Ibid.
MORE A SINKING SHIP THAN A REVOLVING DOOR — FEMALE HIRING, PROMOTION AND RETENTION RATES ARE MOVING THE INDUSTRY IN THE WRONG DIRECTION

Financial services organizations are still moving backward when it comes to improving gender diversity at the top of and throughout the organization. In order to boost female representation at the top, the average participating organization across all industries is hiring female executives relative to their current representation at one-and-a-half times the rate of males. Yet the financial services industry continues to hire males at a higher rate, further increasing the gap between male and female representation. In fact, hiring rates for men relative to their current representation outstrip those for women at every level except senior manager, where hiring rates are equal. And since women comprise only a quarter of senior managers, equal hiring rates mean bringing in far fewer women than men.

Promotions and turnover are even bigger problems. Although the average organization across industries is promoting proportionately more women than men into the manager, senior manager and executive levels, financial services firms are promoting proportionately more men at every level of the organization.

Of equally grave concern is the fact that women are exiting at higher rates than men at all levels above professional staff — in the case of executive women, at the staggering rate of 15.8% versus 7.7% for men — and at substantially higher rates than they are being hired. Again, this is in line with research by our sister company, Oliver Wyman, which found that female executives are 20%–30% more likely to leave their employers at midcareer in financial services than in any other industry.8

If left unchanged, these problematic female talent flows (hiring, promotions and retention) will result in a 3% drop in female representation — from 15% to 12% — at the top of the organization by 2025. In contrast, by simply hiring, promoting and retaining women at the same rates relative to their current representation as men, financial services organizations can almost double female representation — to 28% — at the executive level over the next 10 years.

8 Ibid.
FIGURE 2. WORKFORCE PROJECTIONS: FEMALE REPRESENTATION AT THE EXECUTIVE LEVEL, 2015–2025

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<tr>
<td>Baseline Scenario</td>
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<td>15%</td>
<td>15%</td>
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<td>Baseline Scenario</td>
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<td></td>
<td>21%</td>
<td>12%</td>
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<tr>
<td>Baseline Scenario</td>
<td>WITH ALL ADJUSTMENTS</td>
<td>28%</td>
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- Baseline scenario (no changes to existing flows)
- With adjusted hiring
- With adjusted promotions
- With adjusted turnover
- With simultaneous adjustments (hiring, promotion, turnover)

Note: Not all colored lines may show as a result of overlapping.
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KEY FINDINGS AND RECOMMENDATIONS

So why are there so few women in senior roles at financial institutions? What stops women from getting to the top? And, most important, where should financial services organizations focus to make a real improvement?

ENGAGE LEADERS, MANAGERS AND MEN

To make more rapid progress on gender diversity, change needs to be driven from the top of the organization. This means leadership, ownership and accountability from the board, CEO and senior executives. In addition, our research shows that the active involvement of management and men in D&I is a critical success factor when it comes to ensuring that women thrive in the organization. The proactive engagement of these two segments (men and middle managers) represents an opportunity for financial services organizations to embed a stronger culture of diversity and inclusion — and move the needle on gender diversity.

There is still a long way to go in building this engagement. Our analysis found that although 63% of participating financial services organizations agree that senior managers are actively involved in D&I programs and initiatives, less than one-third agree that middle managers are actively involved and less than half agree that men are involved.

Increasing this involvement is critical, since gender diversity is not just a “nice to have” for the industry but can deliver significant business benefits and will be increasingly mandated by regulators.

ACTIVELY MANAGE FLEXIBLE WORK PROGRAMS

One familiar prescription for improving gender diversity is the implementation of family-friendly flexible work programs. Many financial services organizations have heeded this advice, with 84% reporting support for part-time working and 78% supporting maternity leave. Notably, 72% of financial services organizations have also extended parental leave to men. Additionally, according to Mercer’s Global Parental Leave report, 88% of companies are providing additional support to their female employees when they return to work after maternity leave by allowing them to work flexible hours; 60% provide the option of a reduced work schedule and 56% allow employees to telecommute.9

Yet our research shows that leave and flexibility programs can actually hurt gender diversity when they are not actively managed to ensure employees are properly supported throughout maternity/paternity leave and the return to work — and actively developed even when taking advantage of flexible work options. It’s not enough to simply have the programs; managers must be trained on how to support their colleagues during life changes. According to this study, only 25% of financial services firms give their managers training to effectively support employees throughout the maternity/paternity-leave and return-to-work processes — or effectively counter any unconscious bias in rewards and promotion decisions that might be triggered by leave.

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**Focus on Filling the Entire Talent Pipeline and Understanding the Skills and Experience Necessary for Advancement**

Although focus at the top is necessary, given that women today hold only 15% of executive-level positions, the failure to focus further down the pipeline means women will still represent only 41% of the workforce at the professional level and above by 2025. Financial services organizations need to focus on systemic, supporting practices to build the female talent pipeline that will sustain gender equality in the long term.

In part, this will mean increasing the prevalence of women in profit and loss roles, long important for career advancement in financial services firms. Our When Women Thrive research finds that only 26% of participating financial services organizations agree there is equal representation of men and women in P&L roles. Moreover, research conducted by our sister company, Oliver Wyman, found that women have been most successful in reaching executive committee-level positions in the support and compliance functions: over a quarter of exco-level heads of audit, legal, compliance or marketing are women, and the head of HR is more likely to be a woman than a man. But CEOs tend to be recruited from the heads of the major business units because proven success in a P&L role is often a key hiring criterion.

For diversity to be achieved and progress to be made, organizations need to review the criteria for progress into technical and P&L roles and consider the design of these roles so they can support flexible working. In our experience, although managers can be resistant to accept that these roles can be done flexibly, these assumptions can be challenged if the right support processes and job designs are in place.

Finally, the leadership models for many financial services firms are outdated, as they are based on a historical view of the competencies and experiences needed to progress to leadership roles. As the future of work changes, new core competencies, such as innovation, flexibility and change management, will be required of leaders and often play to the strengths of women.

**How to Uncover the Actual Drivers of Promotion**

In our analytics work with clients, we study internal pipelines, using statistical techniques to understand drivers of promotion and career advancement based on the historical record. These models test for a variety of experiences and characteristics, such as team size, business unit performance, individual performance, job family, overseas experience, cross-functional experience, manager tenure, employee tenure and educational backgrounds. Although each organization is unique, we frequently find that early-career decisions have an impact on the pathway into leadership positions. Organizations need to ensure that women are not inadvertently channeled into roles with fewer opportunities, which can significantly hamper their ability to progress into senior roles. When these roles are analyzed by gender, we often find glaring differences between the numbers of men and women moving into them. Understanding career paths and the movement of female employees through them is an important step in building and fostering a sustainable talent pipeline.
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REVIEW PROCESSES FOR POTENTIAL BIAS

Although direct and overt hostility toward women is no longer the barrier it once was to career progression, barriers can still exist based on deep-seated, possibly unconscious biases about what it takes to perform at the top of financial firms: biases that disproportionately disadvantage women. It is therefore important that organizations review their talent management and pay processes to reduce and eliminate these barriers.

For example, our research found that organizations with a robust pay equity process and a dedicated pay equity team have greater female representation. Yet, among financial services organizations, we found that only 32% review performance ratings by gender, and only 26% make pay equity adjustments as part of their annual compensation review process.

Our work with clients has also shown that outcomes for women are generally not as positive as outcomes for men in areas where there is discretion, as it presents the opportunity for disparities to arise. We therefore recommend that organizations apply a proactive gender lens to all pay, promotion and performance management processes.

DEVELOP A HOLISTIC STRATEGY THAT ADDRESSES WOMEN’S UNIQUE NEEDS

In order to make progress, financial services organizations need to consider the holistic needs of their female workforce — their careers, of course, but also their health and wealth. Although our research points to the benefits of implementing programs to help women manage their critical health and wealth needs, few organizations have done so.

Our research found that female representation increases when organizations understand and support women’s health needs. Women have a unique relationship with healthcare — as patients, caretakers and decision-makers — but only 22% of financial services organizations agree that supporting this unique relationship is important in attracting and retaining female talent. Only 12% of financial services organizations conduct analyses to identify gender-specific health needs and education.

Gender-specific financial wellness practices also drive better future representation of women. Women face a “perfect storm” financially because they tend to work in lower-paid employment than men, have more significant gaps in service and live longer than men, so they need retirement funds to last longer. On top of that, women are typically more risk-averse investors, impacting overall returns. Yet less than 15% of financial services organizations offer retirement programs customized for the behaviors and needs of different genders or monitor savings and investment choices by gender.
THE TIME TO TAKE ACTION IS NOW

Given these findings, financial services organizations should be asking themselves the following questions:

Are our leaders passionate about and personally committed to gender diversity?

Is our gender strategy rooted in proof? Are we using data to drive our decisions?

Do we have the right processes and programs in place to support our female talent?

Are our managers trained to support flexible and alternative work programs?

Do we communicate with our workforce sufficiently about the importance of diversity?

Are we providing health and financial wellness support to our female workforce?

Do we have the advocates, culture and infrastructure in place in order to persevere over time?

Our When Women Thrive research provides detail around several key actions that organizations must take to break through inertia and advance women in the workplace. You can purchase the full global report or participate in the survey to receive a complimentary copy. We invite you to be a part of it. Visit http://whenwomenthrive.net to take action.
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HOW MERCER CAN HELP AND NEXT STEPS

Mercer offers comprehensive resources and consulting support to assist you in developing or enhancing your gender diversity strategy. Contact us at wwt@mercer.com to discuss your specific needs and learn about our full breadth of services to support the health, wealth and careers of your diverse workforce. Here are a few ways you can get started now:

PARTICIPATE IN OUR RESEARCH – GET THE FULL GLOBAL REPORT
Share your gender diversity policies, practices and internal labor market data, and receive a complimentary copy of the full global report. Get started at http://whenwomenthrive.net/survey.

BENCHMARK YOUR ORGANIZATION – ORDER A CUSTOM REPORT
After participating in the survey, you’ll have the option to order your organization-specific custom report, which provides:

• Benchmark data on how your policies and practices compare to global, regional and industry results

• A custom internal labor market (ILM) map, which provides an insightful view of your current headcounts, hiring, promotion and turnover rates by gender at each career level

• 5- and 10-year workforce projections for executives and professionals and above given your baseline scenario with no changes

• 5- and 10-year workforce projections for executives and professionals and above given the following scenarios: adjusted hiring, adjusted promotion, adjusted turnover and with all adjustments simultaneously

• A debrief meeting to review your results and share insights and recommendations to enhance your gender diversity strategy and drive business outcomes

EDUCATE AND ALIGN YOUR STAKEHOLDERS – CONDUCT A CUSTOM WORKSHOP
To engage your business leaders and stakeholders, Mercer offers custom workshops that leverage data and insights to drive your gender diversity strategy. Contact us to learn more.

CONNECT WITH YOUR PEERS – JOIN MERCER’S DIVERSITY AND INCLUSION NETWORKS
Unleash the power of knowledge through collaboration. Become part of a community of senior peers working toward creating diverse workforces and inclusive cultures.
Mercer’s When Women Thrive research looks deeply into what it means for women to thrive. Our analysis is grounded in the data of today’s workforce and also in an examination of the programs, policies and operational context in which employees work.

**Figure 3. Representation of female versus male employees at all levels**

**Independent “Driver” Variables**
- Policies, practices and culture
  - Drivers examined:
    - Health and financial well-being
    - Critical skills and experiences needed for career success
    - Leadership engagement and accountability

**Control Variables**
- Operational context
  - Controls included:
    - Region
    - Industry sector
    - Revenue size
    - Global employee headcount

**Dependent Variables**
- Internal labor market (ILM) outcomes
  - Outcomes measured:
    - Current female representation
    - Projected future improvement in female representation at the professional through executive levels
This research used robust analytics to examine what companies are doing to support female talent across a holistic set of policy categories and correlated these practices with the following outcomes:

- Current representation of women at the professional through executive levels
- Projected future representation of women at the professional through executive levels over the next 10 years

We used a regression-based approach to link survey responses to the specific outcomes described above. The approach controlled for differences across regions and industries and between organizations of different sizes. Potential drivers were analyzed — one at a time — to assess their impact on our outcome measures, using a statistical model that accounted for the above controls. This approach ensured the analysis had sufficient statistical power to identify true effects. Relationships presented are statistically significant at conventional levels. We also wanted to understand the extent to which organizations are offering key programs and actually using them. You will find regional comparisons in our global report on these important programs.
We sincerely appreciate the 67 organizations* in the finance/banking industry that participated in this research.

- 36 South Capital Advisors LLP
- Aberdeen Asset Management
- American Express
- Amundi
- ANZ
- Atla Consultoria
- Banco Hipotecario
- Bancompartir
- BNP Paribas
- Capital Group
- Capital One
- Central 1 Credit Union
- Charles Schwab
- Crawford & Company
- Credit Union Central of Manitoba
- Deutsche Bank
- Erste Group Bank AG
- European Investment Bank
- Fidelity International Limited
- First American Financial
- First State Super
- HSBC
- ING Direct
- International Personal Finance
- Intesa Sanpaolo
- IPM Informed Portfolio Management AB
- Laurentian Bank
- LCJ Investments SA
- Macquarie
- Mundicenter
- National Bank of Canada
- Nomura
- Principal Financial Group
- QIC
- RBC
- Schroder Investment Management Australia
- State Street Corporation
- State Super Financial Services
- SunTrust Banks
- Swiss Re
- UBS
- United Super Pty Ltd (Cbus)
- Washington Trust Bank
- William Blair

* A note about the organizations: Organizations listed have agreed to be named in the study. This is not a comprehensive list of all finance/banking participants, as some have indicated they did not want their names published.