

A lifetime of gender inequality: What investors can do

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- For decades, there has been a considerable drive from governments, corporations and society worldwide to reduce inequality between men and women. As a result, many women now hold powerful positions at the top of many major institutions. But nonetheless, there continues to be a striking gender gap in the workplace in terms of both labour force participation and pay.
- Investors' focus on diversity has principally centred on female representation in the board room. But in this research paper we study the dynamics of gender inequality throughout a woman's entire working life.
- We believe that gender inequality starts in the womb and continues all the way to the final years of a woman's career. By taking four key capital markets - Germany, Japan, China and India as examples, we identify the drivers of inequality, assess local company practices and highlight recommendations for investor engagement.
- This research and engagement programme aims to contribute towards the achievement of the United Nations' Sustainable Development Goal (SDG) 5 i.e. Achieve gender equality and empower all women and girls.

In every corner of the world, many women still don't have the opportunity to fulfil their potential, for the sole reason of their gender. They are hampered by poorer access to education, healthcare and employment. Despite a major push in recent decades to improve equality, women continue to enter and evolve in the job market on an uneven footing.

They also face slower career progression and a far lower earnings capacity compared to men. The World Economic Forum (WEF)

estimates the global gender pay gap is 37%. What's more, according to the consultants McKinsey, women only contribute to 37% of the global GDP despite making up half the working-age population¹.

Institutional investors are starting to play an active role in promoting equal opportunities. Engagement with investee companies has focused largely on breaking the glass ceiling that is typically blocking women's route to senior management positions

¹ McKinsey Global Institute Report, September 2015

and board directorships. The 30% Club, of which AXA Investment Managers (AXA IM) is a member, is arguably the best known of this type of initiative. But while we view the issue of entering the board room and the C-suite as important, more needs to be done at earlier stages to address the challenge holistically.

We believe that investors' research and engagement efforts should also cast the spotlight on the challenges of billions of working age women who will never make it to the top of corporations. In this research, we study the dynamics of gender inequality and how it impacts various stages of life. We find that the forces which discriminate are not confined to the workplace. We believe it starts in the womb and continues all the way to the final years of a woman's life.

We have put four major investment markets - Germany, Japan, China and India² - under the microscope. They reflect different chapters in this lifelong story of unfairness. Ultimately, we affirm our view that the persistence of the gender gap threatens the success of companies and economies, as it leaves \$160 trillion of unrealised wealth on the table (according to World Bank estimates); and if not addressed puts at risks Goal 5 of the UN Sustainable Development Goals - Achieve gender equality and empower all women and girls. For investors, we believe the issue risks potentially dampening long-term returns. This research forms the basis of a multi-year engagement initiative which we will conduct with companies from this year.

Mind the gender gap

A starting point for understanding the broad dynamics shaping gender inequality in the work place is the WEF approach to measuring the global gender gap¹⁰. The objective is to assess the magnitude - and room for improvement - of gender-based disparities. The four pillars are:

1. Economic participation and opportunity
2. Political empowerment
3. Educational attainment
4. Health and survival

These four pillars stand independent of each other but are ultimately intermingled forces which shape the working life of women. The WEF publishes an annual study and index ranking countries. Its recommendations are aimed at governments and policy makers but also provide investors with insight into the issues affecting large capital markets. This report highlights that there is not constant progress to reduce the gender gap, and in some cases, things are getting worse for women.

For example, Germany has seen reversals of recent progress and it ranks the lowest in Western Europe for educational attainment by women. Elsewhere, Japan languishes in 110th place out of 149 countries - this is by far the lowest-ranked country of the major developed markets. Even India and China rank higher overall. That said, both these emerging markets rank at the bottom of the table for health and survival. The explanation for this is the devastating prevalence of female foeticide and infanticide.

1%

Proportion of women on the executive boards of Japanese companies³

2

children - Employers are more reluctant to hire women following the shift to a two-child policy in China⁴

3

hours - The difference in the amount of time daily which full-time working women and men in Germany spend doing household tasks⁵

4th

India's sex ratio at birth is the fourth most skewed in the world (1.11 vs. global average of 1.06)⁶

37%

Global gender pay gap⁷

\$450k

The difference in average lifetime earnings between men and women⁸

\$160trn

Global wealth that could be increased if gender pay gap was zero⁹

³ Bloomberg and AXA IM calculation, as of January 2019

⁴ Employment website 51job.com survey found that ¾ of companies were more reluctant to hire women after the two-child policy took effect

⁵ German Institute for Economic Research (DIW), 2016

⁶ World Bank, as of 2017

⁷ World Economic Forum, as of 2018

⁸ AXA IM estimation, 2019

⁹ World Bank

¹⁰ World Economic Forum, The Global Gender Gap 2018

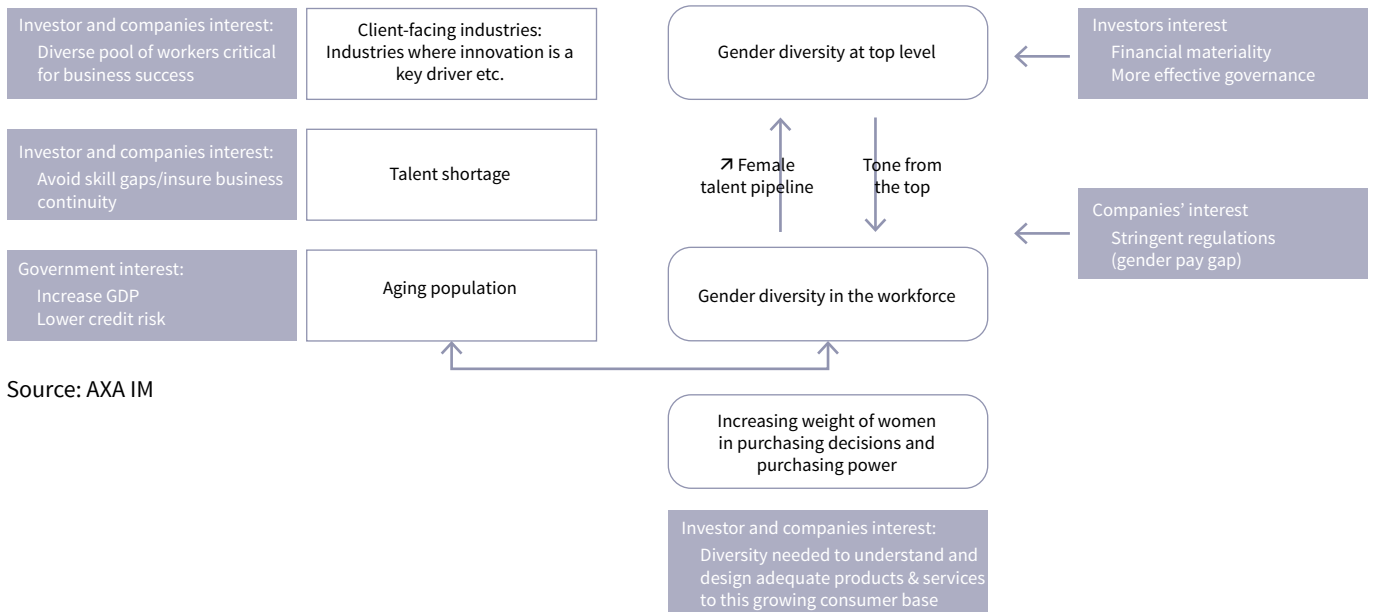
Society cannot afford to fail in better integrating and empowering women. Encouraging female participation in economic life is not only a matter of social cohesion and fairness principles - it is also one of retaining talents and bringing more economic opportunities. More women having access to jobs of quality can offset a fall of working age men in rapidly aging countries and be a source of labour for industries facing talent shortage. At the same time, it can also help maturing countries to broaden their tax base.

What is clear is that neither governments nor corporations can afford to be passive or reactive when it comes to effectively leveraging female human capital. They need to be proactive. Investors can play an important role in promoting the agenda

with policymakers and company boards/management through engagement.

For companies, the consideration can be two-fold. It is not just about gender representation from a human resourcing and/or business operation practices but also about the extent to which their products and services can enable better female participation in society. For governments, there needs to be the acceptance that policy intervention needs to start from when a girl is born. A recent study from the University of Chicago¹¹ shows that even within the wealthiest of countries such as the United States, a woman's lifelong earnings and how much she works are influenced by the levels of sexism in the place she was born.

Interplay of companies, investors and government



Source: AXA IM



This research and the following corporate engagement are tied to the direct contribution towards the Sustainable Development Goal (SDG) 5 – Achieve gender equality and empower all women and girls. We seek to contribute to the achievement of the following SDG 5 targets:

- 5.1: End all forms of discrimination against women and girls everywhere
- 5.2: Eliminate all forms of violence against all women and girls in the public and private spheres [...]
- 5.4: Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate
- 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

¹¹ The Effects of Sexism on American Women: The Role of Norms vs. Discrimination (August 2018)

Gender diversity: Why it's good for investors

There is a growing body of research literature linking gender diversity with positive investment outcomes. For further reading on this topic, we highlight the studies below:

- Diversity leads to higher profitability and resiliency against competitive pressure: AXA IM, Does diversity provide a profitability moat? (2018)
- Gender diversity on executive teams is correlated with both profitability and value creation: McKinsey Research, Delivering through diversity (2018) (first edition: 2015)
- Greater representation of women in managerial positions bring excess market returns and higher profitability: Credit Suisse Research Institute, The CS Gender 3000: The Reward for Change (2016) (first edition: 2014)
- Reaching critical mass on boards (3 women) brings outperformance. More women on boards is correlated with more diversity in other senior roles and workforce at large: MSCI Research, The tipping point : Women on Boards and financial performance (2016)
- Gender diversity an indicator of higher top line growth - a move from no female leaders to 30% representation is associated with a 15% increase in net revenues: Peterson Institute for International Economics (2016)

The impact of gender empowerment is broad. Studies highlight that women are more willing to use their financial gains for community-oriented goals. Such differing spending habits are important in the context of promoting social and environmental change, which underpin the United Nations' Sustainable Development Goals – including, but not limited to, Goal 5.

Measuring inequality

In this research, we principally use two key metrics to assess the inequality between women and men in the workplace:

- Difference in labour force participation
- Difference in pay

The table below illustrates how women are represented at different stages of working life in different markets. What is clear is that, despite cultural differences in each of these countries, the result is the same – women are being squeezed out of senior positions. There doesn't seem to be a direct correlation either between GDP per capita and gender diversity and equality in the workplace. We will use this set of data as the starting point from which we will now delve deeper into the specifics of each market. Our direction of reading will start with Germany – where gender inequality is rather tied to the glass-ceiling – all the way down through India, where inequality, appears to start at the very beginning of a woman's life and often doesn't get any better as age increases.

Country / gender inequality footprint metrics	Gross enrolment ratio, primary to tertiary, female (%)	% of graduates from tertiary education who are female	Women labour force participation rate (% of women population aged 15-64)	Share of female managers (mid-management and senior positions) (%)	Women on Boards of the largest publicly-listed companies	Executive Boards share of women (%)	Gender pay gap (%)
Germany	96.3	50	74	30	32 (quotas)	6.7	21
Japan	89	49.6	68.7	13	5.3	1	24.5
China	76.5	52.4	68.5	17	9.7	14	36
India	76.5	50.3	28.4	12	14 (quotas)	7	34

Source: ILO, E&Y, World Economic Forum, World Bank Database, OECD, MSCI, Bloomberg analysis

Gender lines are drawn since childbirth...



Gender discrimination starts as early at birth

In many countries still, boys are preferred to girls, leading to sex-selective abortions

China and India have very distorted sex ratio at birth (resp. 1,15 and 1,11) vs 1,06 worldwide natural average

Near parity almost achieved globally for education...



Educational gap is almost closed, but girls are more prone to study fields that end up in lower-paid jobs

Worldwide, women account for 52% of the tertiary students in 2016 (Euromonitor)

Germany is one of the few countries that has seen reverse trend of recent progresses in educational parity

...But employment opportunities have not followed suit



The global gap in labor force participation is 27%

For women who work, there is still a 37% global gender pay gap

Only 28% of working-age women in India are participating to the labor market. The rate is 81% for men.

It's your job to raise the kids: the child effect



Women are still perceived as the main caregivers. By choice or not, women keep spending more time on child rearing.

In Denmark, having the first child deteriorates women's salary by 20%. Similar effects are perceived everywhere.

In Japan, out of the 71% working mothers, only 25% work full-time. This impedes career progression. Only 10% make it to managerial positions.

Inequality has long lasting impact on a woman's life



Gender inequality is a sticky, global issue from cradle to grave.

Global gender pension gap is assessed at 30-40%.

Women's pension income is 46% that of men in Germany – the largest gap in OECD.

Germany: Low pay and under-used

- Female participation in the labour market is high and increasing. As such it gets a positive score for accessibility but, unfortunately, a red flag for quality of jobs.
- Germany has the third largest gender pay gap in Europe – due in large part to the low number of hours worked by women and gender segregation in lower-paid economic activities. This situation excludes women from a wide range of corporate benefits.
- Developing family-friendly policies and switching contracts to full-time employment are a priority in closing the pay gap.

Macro picture: Stuck on the margins

Female participation in Germany's labour market is 74% compared to 65% for a peer group of wealthy countries. This has increased by 30% since 1990. Girls have equal access to education with boys. They are as likely to graduate from a university and constitute half the talent pool. Let's not forget that Germany is one of the few countries that is led by a female head of government.

At first sight, Germany appears to be doing well on gender diversity and equality. Still, the main point of concern is the low quality of women's jobs and pay. This widens inequality and prevents female career progression and ultimately economic empowerment. Full-time female employees account for 60% of minimum wage workers. Women also account for two-thirds of people in precarious and very low paid roles. These are dubbed "mini-jobs" and pay less than €450 a month. This employment status excludes them from a wide range of benefits including the social security system. Studies

have pointed out at discrimination against mini-jobbers in terms of working conditions especially around entitlement to paid annual leave and public holidays as well as paid sick leave. While this kind of precarious job was originally introduced in the 1960s to allow women (housewives) to take up a marginal job and help bridge the labour shortage at the time, they have remained popular despite an obvious change in the country's economic situation.

Germany isn't exempt from division of gender roles. Full-time female employees in two-income households were spending approximately three hours more on domestic tasks per working day than men. Women are still entrenched in traditional roles through which they are expected to take care of the kids. While fathers usually take one to two months of parental leave, it is common that women will take one to two years, weighing much more in terms of career breaks. In West Germany, only one-fifth think that mothers of young kids should work full-time.

⁵ Source: JP Morgan, Default Monitor, High Yield and Leveraged Loan Research, 2 January 2018. 19-year long term average for the loans and 25-year annual average for the bonds.

In the workplace: A laggard in Europe

Germany's gender pay gap of 21.5% is the third highest within the European Union (EU) where the average is 16%. Approximately two-thirds of it, named the "explained gender pay gap" (GPG), is explained by differences in workers attributes, linked to personal, job and enterprise characteristics. Of this set of observable characteristics, working time (e.g. difference in part and full-time employment) accounts for 5% – much more than in any other EU countries. This is followed by economic activity, meaning that on average German men work in better-paid industries than their female counterparts. Even in some fields dominated by women, men can be found to be better paid than women¹².

Low working hours is clearly the main challenge, as the high share of women not in full-time employment impacts salary progression. The glass ceiling is hard to break in this market. The majority of women (vs. 12% of men) work part-time in Germany. This is the case with women of all levels of educational attainment and professional qualification according to the Organisation for Economic Cooperation and Development (OECD). Although part-time employment can be a boon for women and men willing to find a better balance between

work and home, in Germany many women are given little choice but to accept part-time work. In some cases, it can be directly imposed from companies seeing it as a new standard, according to CAIRN. This is also a direct consequence of the lack of flexible working policies from many German companies.

Two-thirds of women in eastern Germany said they accepted a part-time job because there were no full-time positions available. Some 17% of women in western Germany cited family care as one of the main reasons. Women seem to be looking for more working time, but at the same time lack of childcare facilities and persistence of traditional roles have been clear inhibiting factors.

In recent years, Germany has implemented two laws aimed at improving gender equality and tackling the significant gender pay gap. The first one required large companies to appoint at least 30% of women on boards. It had the intended effect of increasing the share of seats granted to women from 26% in 2015, to 32% in 2017. The second one - through Germany's Wage Transparency Act - enables employees to ask for the disclosure of men and women doing similar work..

Decomposition of the explained GPG, 2014

(difference between male and female hourly earnings as % of male hourly earnings)



Source: Eurostat, 2018

¹² German Institute for Economic Research ([link](#))

The investor engagement playbook in Germany

Our main engagement recommendations with German companies will revolve around:

- Transparency and targets around the proportion of women in managerial and leadership positions. In a developed country like Germany, where the initial talent pool is equally made of men and women, the persistence of a glass ceiling prevents women reaching the top positions. Germany ranks just below the OECD countries average for women in management positions. While the introduction of the quotas enabled some women to be nominated to the board, we would like to see similar progress at middle and senior managerial positions (e.g. percentage of women executives and targets/timeline).
- Transparency around contract status of women and men. In companies where women make up most of the part-time contracts, our focus will be to understand to what extent female employees have voluntarily chosen these conditions. We would welcome the development of family-friendly policies (childcare facilities, flexible and home working) as we expect them to go hand in hand with more voluntarily chosen part-time jobs.
- Enabling men to take paternity leave and making leadership accountable. Germany's parental leave system is relatively gender-equal. Mothers and fathers are entitled to the same leave to take time off for the family, and their job is protected until the child turns three. Still, almost two-thirds of fathers don't take up the opportunity. Most of them do not because of career disruption fears or resistance from line managers. We would expect the company's mindset and practices to genuinely support paternity leave.
- Encouraging the disclosure of the gender pay gap. What gets measured gets managed. Ultimately, proactive gender pay gap disclosure is a positive signal that the company has started to think about the best ways to tackle the issues preventing the advancement of gender equality.

Japan: Can Womenomics deliver?

- The gender gap in Japan is the third highest amongst major developed economies. Traditionally, women give up their careers at marriage, or at birth of their first child. This is partly due to culture but also poor provision of child care and long working hours culture.
- Things are changing. The government is pushing for reform. Prime Minister Shinzo Abe has been an advocate of equality with his so-called "Womenomics" plan. The need to have more women participate in the work force is a key solution to the falling numbers of male workers in a rapidly aging population.
- Despite reforms, job quality is still a concern. Casual and part-time employment continue to dominate job opportunities for many women.

Macro snapshot: The motherhood penalty

Labour has become a scarce resource in Japan. Since 2000, there has been a 13% fall in the number of working-age people. Japan is already the oldest country in the world in terms of population age and the birth rate is one of the lowest. By 2040, more than a third of people in Japan will be over 65 years old. The IMF assessed the impact of ageing and declining population in Japan to potentially lead to GDP falling by a quarter over the next 40 years.

Prime Minister Abe launched a series of goals in 2013 to encourage higher female participation in the workforce. The government has put in place clear targets for attracting and retaining women in the workforce. This includes policies to increase the number of childcare facilities and to provide a year's paid parental leave for both parents

after the birth of a child. There is a bonus entitlement if both parents take the leave.

Although the participation rate of working-age women has topped 69% (vs. 65% in 2013), the effectiveness of these policy moves has been watered down by other existing policies. One of them is the strong financial disincentives in terms of tax, pension and insurance coverage. These are structured so that the unintended consequence has been to discourage one of the married partners (almost always the women) from seeking full-time work. The lack of enforcement and legal penalties for corporate inaction is also behind the slow progress of gender equality.

There is a huge incentive for Japan to sort this out. If the same proportion of working-age men and women were in jobs by 2025, the labour force would grow by 1.5 million, according to the OECD. This would add 0.8 percentage points to GDP per capita per year. A positive side-effect would be to widen the tax base and ease the dependency ratio.

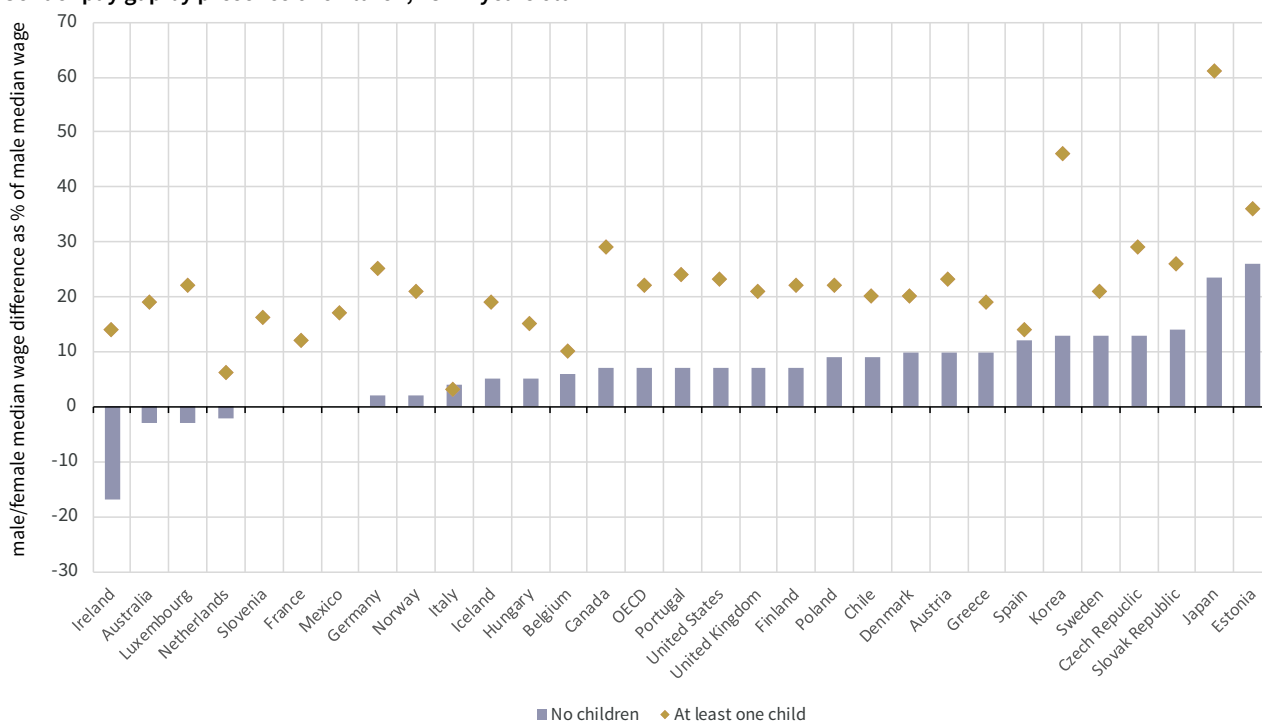
In the workplace: Leave with no return

Women are highly educated in Japan. At the point of graduation when most companies hire new employees, the gender ratio is basically equal. The real impact of gender discrimination is felt once women get married or have their first child. Women are still traditionally seen as the main caregiver and household manager. It explains why Japanese women spend five to six times more in unpaid domestic work than men - the highest rate among OECD countries.

Corporate culture is also in dire need of reform – especially the image of the ideal Japanese salaryman. They are expected to put work ahead of family, accept grueling long hours, and take little holiday as a demonstration of strong loyalty and commitment to the company. In return for this, in the post-war model, companies provided life-time employment.

The price of motherhood in OECD

Gender pay gap by presence of children, 25-44 years old



Source: “Closing the Gender Gap: Act Now”, OECD 2012

Gender pay gap is defined as the difference between male and female median wages divided by male median wages, for full-time workers only. "Children" defined as aged less than 16 years old. Source: Organization for Economic Cooperation and Development.

Going on maternity leave and taking time to raise a child is counter to this cultural norm. As such, women returning from leave often face a break in their career path and/or are downgraded to lower positions. This explains why 30% of female regular employees quit their jobs when they give birth. The rate is 75% for women in non-regular employment e.g. part-time, temporary or contractor.

Also, there is a well-recognised problem of “maternity harassment” in companies, which can influence the behaviour of fathers. Social norms and peer pressure dissuade fathers from taking paternity leave. Despite the very generous paternity leave policy of 52 weeks, the uptake is very low. In 2016, out of the 3% of fathers who took the leave, more than 80% took less than a month and 57% took less than five days (Japan’s Ministry of Health, Labour and Welfare).

Companies continue to offer employees allowances and benefits covering household costs – but this is often subject to wives not earning more than a certain wage threshold. As such, most women (56%) are dissuaded from accepting regular jobs. Now, out of the 71% working mothers in 2017, only a quarter were employed on a full-time basis. Only a tenth made it to managerial positions. Differences in job status and career progression results in a gender pay gap of 24.5% (2017). This is the third highest among OECD countries.

The investor engagement playbook in Japan

Despite the government's call for action and policy initiatives that have been running for several years now, companies are generally responding slowly to changing their approach and making the workplace meaningfully supportive of working mothers.

Our main engagement recommendations with Japanese companies will be the following:

- **Making diversity an explicit business objective.** A clear tone from senior management is needed to permeate the company and to encourage employees to rethink traditional norms. Leadership commitment around gender equality would strongly encourage companies to link diversity objectives to broader business targets. It is particularly important in Japan where progress is too slow within companies.
- **Pipeline of women in leadership positions.** Companies need to articulate and explain how they are moving women into senior management positions. Engagement around diversity at top management positions and at the board level are important. Performance indicators will include percentage of women on boards and targets; percentage of women executives and targets. But just as important is the pipeline of women who will be future leaders. Companies need to report on the number of women in middle management roles.
- **Family-friendly policies, programmes and provisions** to help people keep their job while dealing potentially with kids and aged relatives is a priority. Women's plates are overloaded with personal and professional responsibilities – which often forces them to choose between family and career. We have spoken with Japanese companies who have introduced specific support systems when they are posted on multi-year foreign assignments such as paying for childcare and education.
- **Promote a cultural change in the workplace.** As the division in gender roles is still the main reason holding back female empowerment, companies need to roll out policies to erase those stereotypes. This includes encouraging both men and women to take up holidays and parental leave and developing mentoring programmes. It should also include setting clear working hours and making flexibility such as working from home more acceptable. Providing IT infrastructure to enable this, and management commitment to permitting this is important.
- **Incorporating women (back) into the regular workforce.** People in non-regular employment usually don't have access to the same training and benefits. Companies should disclose the proportion and numbers of women in the workforce by types of contract and employment status, and any gender targets for new regular employment contracts.

China: Inequality getting worse

- Women had good access to employment opportunities in the Communist planned economy. But, one aspect of the opening-up of China has been a decline in female participation in the workforce. It was 68.5% in 2018 compared to 79.5% in 1990.
- Since the start of the economic reforms in 1979, the gender pay gap has widened to 33% for urban workers.
- Aging demographics – exacerbated due to the one-child policy which finally ended in 2016 - could reverse gender inequality in the workplace due to shortage of labour. The pressure for women to have more children, on the flipside, could widen the inequality.

Macro: Missing in action

The challenges for girls in China start from birth. Gender-based selective abortions have skewed the number of baby girls born compared to boys. For every girl born, 1.15 boys are, significantly higher than the average of 1.06 worldwide. This ranks at rock bottom in the Health & Survival ranking of WEF's Gender Gap study in 2018. Decades of such practices mean that there are significantly fewer women than men: estimates range from 30 to 60 million.

Female participation rate in the economy is higher than the world average (68.5% vs 53%). This is a legacy from the past when the Communist Party regarded female participation in the labour force as a key measure of gender equality. However, since 1990, the rate has slowly but steadily declined. Urban female employment rate is lower than in the rural regions and decreasing. This points to a situation of heightened gender inequality in the workplace¹³.

¹³ Gender Equality in China's Economic Transformation ([link](#))

A broader context to bear in mind is the shift in demographics in China. It is a society which is aging rapidly. By 2050, a third of the population will be 60 or older. It's 17% today. Added to this, the fertility rate remains low despite the end of the one-child policy in 2016. The birth rate of around 1.5 in 2018 was the lowest on record and there is no sign of a baby-boom any time soon. In a government survey, 63% of women with one child said they didn't want to have another. In addition, 40% of childless respondents stated they didn't want to have any. Reasons cited include lack of time, energy, income and concerns over career progression.

The population of China is expected to start declining in 2027. For companies, this demographic crisis will directly translate into a shrinkage of the working-age population and ultimately a labour shortage. One government study found that China will lose 100 million workers from 2020 to 2035, and another 100 million from 2035 to 2050.

In the workplace: Rules ignored

Ensuring higher female participation in the labour market is key to mitigating the fall in workers. Access to stable employment will drive productivity, business activity and economic growth while easing the dependency ratio. However, there are several hurdles. The pay gap has widened since the economic reforms for two main reasons. First, women remain trapped in low-productivity, poorly-paid jobs. They have not benefitted as much as male workers in the transition from an agricultural economy to a manufacturing and, increasingly, service-based economy. Second, as companies now have far more discretion on the pay of employees compared to the planned economy era, this is leading to gender-based pay discrimination. Studies¹⁴ have found the discriminatory factors account for approximately 60% to 86% of the estimated salary gap even within professional occupations. Highly educated women also encounter gender discrimination.

There is a spate of national laws aimed at combatting gender discrimination, but enforcement has been lacking. For instance, job specifications with gender requirements still exist. Also, the equal opportunities-related regulation is mitigated by other workplace regulations such as women having different retirement age to men (50-55 years vs. 60 for men), limiting their career progression and reducing their potential earnings and pensions. The expense of maternity leave, where women are entitled to up to 98 days, can be a disincentive for hiring women.



¹⁴Gender Equality in China's Economic Transformation ([link](#))

The investor engagement playbook in China

We believe companies which create a diverse and inclusive culture will be best positioned to cope with the looming talent shortage. To achieve this, companies can play a role in supporting women to share responsibility for caring for children and elderly relatives.

Our main engagement recommendations with Chinese companies include:

- **Accountability** from the top management and board of directors regarding equal pay and equal employment opportunities policies. This would help send a clear signal to the market that the company has set the foundation for combatting gender inequality in the workplace.
- **Developing family-friendly policies** (such as remote working) and infrastructures (such as childcare facilities) is essential to enable female workers to reconcile work and family duties. The switch to a market economy has passed the childcare responsibility on to families, which has had a negative effect on female employment. Flexible working should be available to both men and women.
- **Quantitative data around the positions and roles women hold in the company.** This includes statistics and/or targets around gender recruitment, which we deem important to ensure no discrimination at the company level in a country where employers are seemingly reluctant to hire women.

India: Inequality starts young

- India's gender ratio at birth is the fourth most skewed worldwide.
- Women are heavily under-represented in India's economy - accounting for 18% of GDP compared to 37% worldwide on average. The country has one of the lowest percentages of female participation in the labour force, at just above 28%.
- Resolving rooted-gender stereotypes, the low societal value on women's role and sexual violence are pressing challenges

Macro: Under-represented in the economy

Advancing gender equality in the workplace – especially through better participation in the job market – is estimated to add \$770 billion to India's GDP by 2025 compared to 2015¹⁵. But for this to happen, Indian society needs to alter its perception of women and work. Some of this is based on long-running cultural beliefs and attitudes.

Like China, prejudices against girls appear in many cases, to start from birth. Gender-based selective abortions have led to a skew in the number of baby girls born compared to boys. For every girl born, 1.11 boys are. Once they are born, girls are faced with persistent inequality during childhood which affects access to nutrition, health and safety. The Lancet medical journal says that an excess 2.4 million girls under the age of five died in a decade because of gender bias. The cumulative effect of this inequality from childhood to adulthood is shocking. Statistics show that more than 63 million women are “missing” in India. India is ranked the world's most dangerous country for women due to factors which include sexual violence and human trafficking¹⁶.

One aspect where the sexes are more equal is in education. There is relatively little difference through participation in various stages of school. The gap, however, becomes evident the moment women start to work. Female labour market participation rate is 28.4%. One of the major reasons for the low job accessibility lies in time spent in unpaid work. The data varies but they all ultimately appear to say the same thing. Women spend seven to 10 times more time on domestic tasks than men. This is in comparison to an average of two to three times worldwide. The gender role segregation is deeply rooted in cultural and traditional views. The huge amount of unpaid domestic work impedes women from being on the same foot of equality than men when looking for a job. Yet, women do want to work. A third of those who are primarily in housework say they would like a job.

In the workplace: Segregated from men

The clear majority - at 88%, according to the International Labour Organization - of India's employment is informal. While this impacts both sexes, it is even more difficult fighting inequalities when informality is not tackled – as the conditions to achieve decent work for all are not met, such as workers' protection. The challenge of creating jobs of quality in India is closely related to creating first

¹⁵ McKinsey, The Power of Parity: Advancing Women's Equality in India (2015) ([link](#))

¹⁶ Thomson Reuters Foundation experts' survey, 2018 ([link](#))

more jobs in the formal economy. Having said that, there is a strong structural tendency to discriminate against women, regardless of the formal/informal issue.

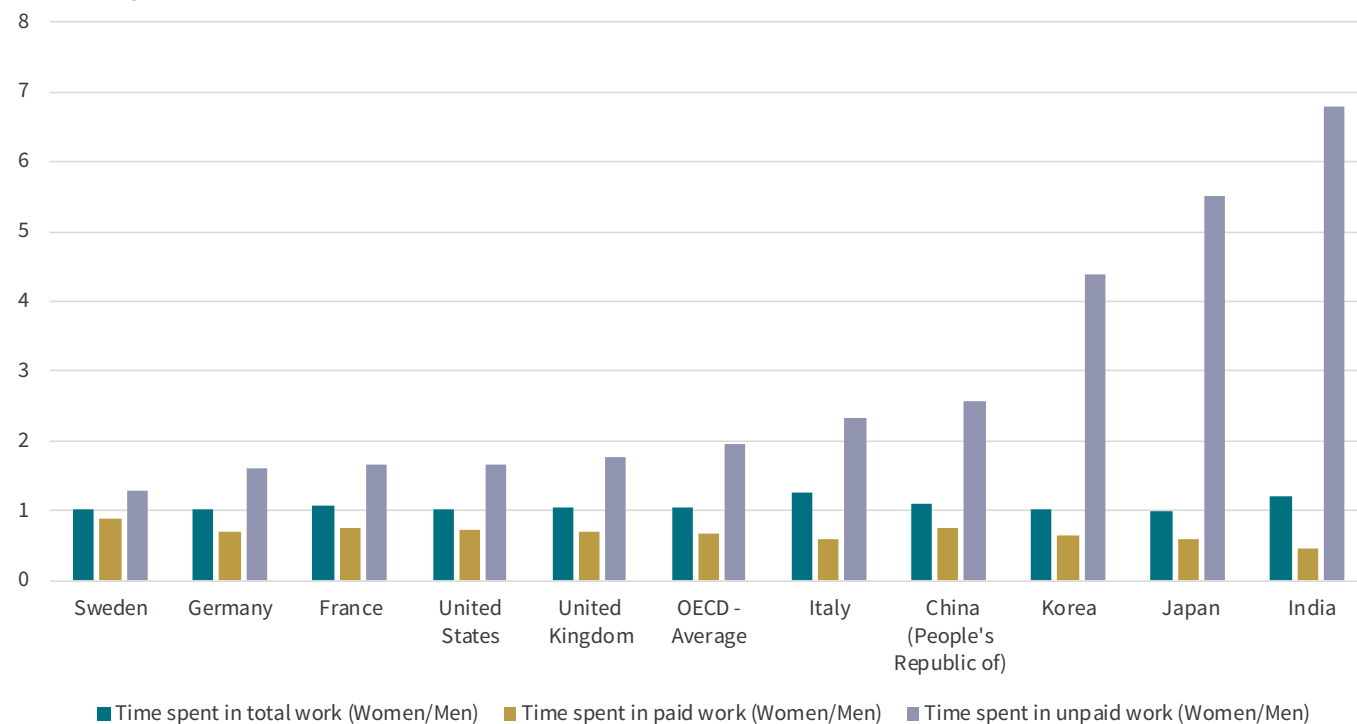
For women who do work there is a 34% gender pay gap in hourly wages, although this is narrowing over time. This variation between male and female earnings in India is the consequence of various forces of discrimination. There is segregation at work. Women are restricted in their physical movements by the male members of the family and have dictated what type of work would be appropriate for them. Beyond that, there are traditional factors such as age, education and experience and others which are less visible and subtle.

Indian working women are discriminated both at the top (“glass ceiling”) and at the low end of the wage distribution (“sticky floor”), where the pay difference is higher. In conservative India, women are often discouraged from working. Men are still the bread-winners. Women often quit their jobs to take care of families, explaining why it is challenging to climb up the corporate ladder and make it into

managerial positions. The World Bank estimates that 20 million women dropped out the workforce between 2004 and 2012, and the situation is deteriorating.

To decrease gender disparity in the labour market and encourage the return of mothers after childbirth, the Government – through the Maternity Benefit (Amendment) Act – increased the amount of paid maternity leave from 12 to 26 weeks in 2017. Yet, as costs for maternity benefits are passed on to employers, an unintended consequence is that there are bigger hurdles for companies to hire women and to keep their pay levels lower. We expect this to be pronounced in small and medium-sized companies where the presence and productivity of staff is a key driver of performance. This assumption was echoed by several recent surveys. It showed that a potential one to two million women could lose their jobs across 10 sectors within the first year of implementation of the extended maternity leave. At higher levels in organisations, the quota on boardroom diversity mandating at least one woman on the boards of listed companies have resulted in a more gender-diverse picture. While this is a good start, more needs to be done before reaching a critical mass, that will allow women directors to have a voice that truly counts.

Who’s taking the workload (paid, unpaid, total)?



Source: OECD Database, January 2019

The investor engagement playbook in India

There are numerous levers that can be activated to advance gender equality in India. The main priorities of improving female empowerment at a corporate level and convincing companies to embark on a more diverse and inclusive journey revolves around shifting social attitudes in the work place and creating a safe working environment.

Our engagement recommendations with Indian companies include:

- **A clear tone from the top** from senior management and the board of directors calling for equal opportunities and zero tolerance of gender inequality and sexual harassment. Without accountability and engagement from the top, changes in a company's values and climate are unlikely to happen. We would require senior management and the board to make a public statement around gender equality
- **Establishing equal opportunities policies and programmes** to ensure gender equality. In a country where few women access the job market, making sure companies have set policies in terms of gender recruitment is a first step before expecting better gender balance at managerial levels
- **Flexible working** to allow men and women to reconcile private and personal life. It is of particular importance in a country like India where women still spend much of their time taking care of children, elderly family members and household tasks
- **Clear reporting of gender data** which provide granular breakdown of the proportion of women in positions across different seniorities and by different business units. We want to understand the gender balance within the company and see specific data (and possibly guidelines/targets) around the gender breakdown of entry-level workers and turnover. Some other metrics could include percentage of women on boards and anonymous gender-based reporting on whistleblowing systems.

Conclusion and next steps

Gender inequality remains a challenge that virtually all countries – regardless of the stage of their economic development – must overcome. This is not an industry, nor a market issue. It is a global one.

These four markets have been used to illustrate what we have identified as key drivers of gender inequality and they appear through different stages of a woman's life. Resolving these issues requires differentiated and targeted approaches. The frameworks suggested in this research can be adopted by the investment community to engage with companies based in many other countries which share similar gender inequality trajectories and economic development.

At AXA IM, we will use this piece as a basis for our engagement activities and impact investment objectives linked to SDG 5. Our next step is to engage approximately 10 companies each in Germany, Japan, China and India, using this research as the basis. The results of the discussions with companies will inform us on potential transitioning companies. These may better inform our investment research and expand the eligibility for our thematic and impact

investment strategies. We plan to report on the initial findings of our engagement in 2020.

Separately, we will keep engaging with companies globally on gender diversity issues in the context of collaborative investor initiatives such as the 30% Investor Club, Workforce Disclosure Initiative and others. We will also promote improved gender diversity on boards through our in-house voting policy. These are reviewed every year to better reflect market evolution and have been strengthened ahead of the 2019 proxy voting season.

We promote diversity and inclusion internally as well as in the companies we invest in. Gender and other forms of diversity are important commitments at AXA IM. We are pushing for more diverse profiles of staff at all levels of the corporation and for improved support of female employees through gender equality-focused policies, management processes and targets.

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