

# “One day you will make an excellent housewife”

## Gender and equality in the world of economics



*“One day you will make an excellent housewife, Rachel!”*, said the faculty member who was watching me clean the coffee machine in our shared office space.

Most women economists I know can recount a comment like this one.

When Alice Wu’s research was published, articles about it were sent to me by numerous friends and colleagues, who were shocked, as I was, by her findings about the misogyny faced by women working in economics. But it was Janet Currie’s summary of the work that captured my feelings best. She wrote that Wu’s paper was ‘systematically quantifying something most female economists already know.’<sup>1</sup>

When I finished my business degree, I knew that I wanted to continue with an honours program and do some research, probably into gender diversity in business. With a double major, I could specialise in accounting or economics. The decision seemed obvious – accounting was a much more practical

Rachel Power completed her Bachelor of Business with Honours at the University of Technology Sydney in 2017. Her research paper, “A policy paradox? Evaluating a target for gender diversity in corporate Australia”, which drew upon the findings of her Honours thesis, was selected for presentation at the 2018 Australian Gender Economics Workshop (AGEW).

Rachel’s research interests include the influence of gender in labour markets, social policy and political economy. She aspires to use economics research to better the welfare of others and hopes to pursue a career to this purpose.

In this article, Rachel reflects on her experience as a woman studying the male-dominated domain of economics, and shares her research into gender diversity on ASX boards. Rachel’s research interrogates corporate policies that are purported to promote gender equality: do these policies really deliver improvements in gender balance at executive ranks as intended?

Rachel’s research presentation can be downloaded at: [http://bcec.edu.au/assets/AGEW-2018\\_Rachel-Power-The-Policy-Paradox\\_Assessing-Gender-Diversity-in-Corporate-Australia.pdf](http://bcec.edu.au/assets/AGEW-2018_Rachel-Power-The-Policy-Paradox_Assessing-Gender-Diversity-in-Corporate-Australia.pdf)

qualification, I knew I would have friends in the program and I knew more of the academics as we’d talked about diversity and transparency reporting before. Economics was great on paper, but, at the time, researching the issue of gender on corporate boards didn’t seem relevant to the field of economics. I asked myself, what does the issue of gender representation have to do with economics?

Associate Professor Betsey Stevenson's analysis of gender diversity in economics textbooks<sup>2</sup>, presented in her keynote address at the Australian Gender Economics Workshop earlier this year, explains why – as a student – I had these perceptions of the discipline. 94% of real business leaders, 93% of economists and 92% of policy-makers mentioned in the eight leading economics textbooks used in universities are men.

You might say that this extremely high proportion of men is simply a reflection of the lack of diversity within economics in the real world in the first place. But even among the “made-up” examples of people making economic decisions in these textbooks, gender disparity persists. Stevenson found that women constituted only 35% of these imaginary characters (with the remainder being 48% male and 17% neutral). More specifically, women constituted 70% of the fictional people in the economic decision-making scenarios that were about fashion, yet only 10% of the scenarios that related to policy. Women were also featured in 60% of the examples about domestic tasks – maybe there's one in there about a woman cleaning a coffee machine.

In Australia, there are few visible women in economic policy-making. Australia has never had a female Treasurer, a female Head of the Reserve Bank or a female Chief Economist of any of the big 4 banks. There were only a few women in economics visible to me 18 months ago, but the ones I did know made all the difference in my decision about further study. A faculty member met with me and we talked about the practical applications of economics research, a uni friend completed her thesis the year before and showed me that economic evaluation is crucial in designing good social policy, and a teacher friend reminds me regularly of the inspiring reasons why I like economics. And so I ended up in the economics honours program.

While I had noticed there were slightly more men in the lectures during my economics major, enrolling in the honours program was when this gender imbalance became obvious. In my honours cohort of seven candidates, I was the only female.

That's a reasonable reflection of the gender imbalance across the discipline – women make up about 13% of economics professors in Australia<sup>4</sup>, and similarly about 15% in America.<sup>3</sup> It's also a good reflection of the gender imbalance on many

corporate boards in Australia. In the ASX 200 in 2018, there are 62 companies with only one female member of their board of directors, and five with no female members.<sup>4</sup>

*There were only a few women in economics visible to me, but the ones I did know made all the difference in my decision about further study.*

Representation matters. The why a group of Australian organisations adopted a target, to push toward a critical mass of women on the boards of the biggest companies in Australia.

In May 2015, a branch of 30% Club, an organisation established in the United Kingdom and credited with significant improvements in board diversity, was introduced to Australia, with support from the Australian Institute of Company Directors (AICD) and the Australian Council of Superannuation Investors (ACSI). The group introduced a target for gender diversity in corporate leadership – that women should hold 30% of positions on the boards of directors of ASX 200 companies by 2018.

30% of the average board of directors is 2 or 3 women – in critical mass theory<sup>5</sup> that's the proportion representation when the contributions of a member of a minority group are valued in their own right. That is, it's when a woman's opinion in a board meeting isn't a 'woman's opinion' anymore.

My thesis involved a critical evaluation of the effect of this target on the gender balance outcomes and policies in the ASX 200. While the 30% Club has a presence in 11 countries, there has been to prior causal analysis of whether the targets have worked.

Using data from the Workplace Gender Equality Agency (WGEA)<sup>6</sup>, I looked at changes in firms' board-level gender balance, internal policies and processes, and the gender composition of each firms' workforce, to evaluate the usefulness of the 30% Club's discretionary policy approach. I compared the outcomes for these firms, before and after the target was put in place, against the outcomes for firms in the ASX 300-500, to see whether the policy had a significant impact on organisational diversity.

Looking at firms' outcomes a year after the target was set, there's some evidence of an increased awareness of the need for diversity, but no strong evidence to suggest that policy changes have been implemented. The policy had no significant effect on the number of women appointed to boards in 2016, nor on the appointment of women as chairs of these boards.

We do, however, see a statistically and economically significant effect of the target in increasing the likelihood of companies implementing a formal selection process for board appointments. Following the target, affected firms were 11% more likely to have a formal selection process – a sign that some organisations have been encouraged to evaluate their assumptions of 'promotion on merit'. Companies affected by the policy were also 17% more likely to have implemented a target for gender diversity on the board of directors, signalling a commitment to the AICD's effort. Yet, we find no significant effects on firms' gender equity processes, such as the whether companies' consult with staff on workplace diversity, nor any significant changes to the gender balance of affected firms' managerial workforce.

These results signal a positive change in corporate policy, but little improvement in terms of the actual representation of women in these companies. Only time will tell whether the improvements in these gender diversity policies implemented by these firms will translate to an improved experience for the women in their workplaces.

While I'd love to say *of course it will*, the 2017 WGEA dataset<sup>7</sup> (not included in my results above) indicates that there was an overall reduction in the number of Australian firms that had targets in place for board level diversity in the last year. Furthermore, a report from the 30% Club shows that many of the companies who reportedly have a target for gender diversity haven't actually set a numeric goal or put a time-frame in place to achieve it.<sup>8</sup>

Prior research from WGEA also supports the conclusion that corporate diversity policies do not necessarily correlate with improved performance in terms of gender equity. A 2016 report produced by WGEA<sup>9</sup> found that ASX200 companies are likely to perform worse in gender equity indicators than non-ASX200 firms – in terms of gender balance on boards (19.5% to 23.9%), the proportion of women managers (35.3% to 37%) and in the gender pay gap for full-time workers (28.7% to 22.7%) – despite those companies being much more likely to have official policies to support gender equity in the workplace.

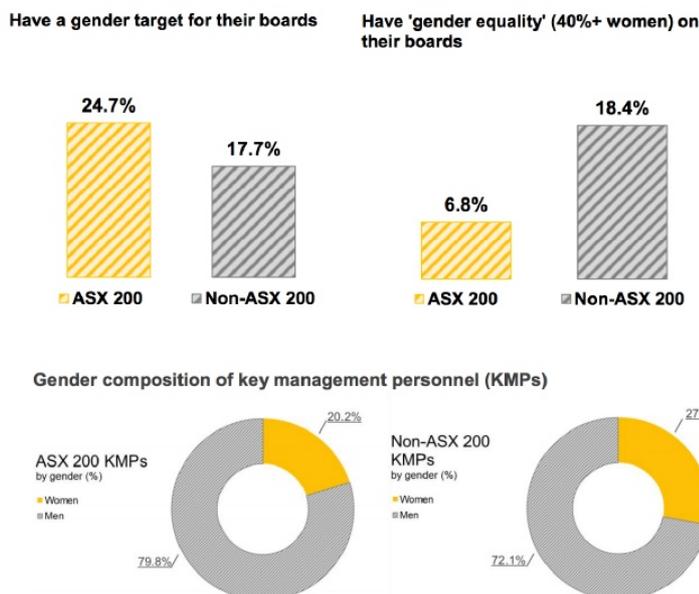
There are some causes for optimism when we look at actions taken by the AICD to target the least diverse boards of the largest Australian companies. In acknowledgement that any legislative action is unlikely in the short term, the ACSI are building enforcement mechanisms from the ground up.<sup>10</sup> By monitoring the AGM nominations of board members in those firms that are worst performing in terms of gender balance, the council is encouraging shareholders to vote against the re-election of all male or one-woman boards.

## The paradox

While ASX 200 companies are much more likely to have gender balance policies, they are also much less likely to have gender balance.

Is implementing more policy the best way forward?

Source: WGEA (2016) 'Gender equality in ASX 200 organisations'



And it's working – the ACSI suggested that at the beginning of AGM season, there were 10 companies on the watch list, but only 4 no votes have been required so far. In line with this, my research found that the effect of the 30% Club's target was strongest for the firms with the fewest women directors – a sign that public scrutiny has an important role to play in encouraging action.

*It wasn't my lack of assertiveness – or an inability to lean in – that had made me feel unwelcome in the world of economics. Self-selection out of traditionally masculine areas of study is often subconscious, and starts early.*

I first read about the 30% Club target in Catherine Fox's book, *Stop Fixing Women*. The work argues that the Australian approach to improving gender diversity has for too long focused on trying to fix women, with mentoring programs and workplace initiatives that are designed to improve women's competitiveness in the labour market, rather than fix the system, which rewards a narrow and outdated definition of 'merit'. In her overview of gender targets, Fox notes the importance of reporting transparency and enforcement mechanisms in improving action from corporates, arguing that these policies are necessary as short term measures to build a meritocratic labour market.

*Stop Fixing Women* also reminded me that that it wasn't my lack of assertiveness – or an inability to lean in – that had made me feel unwelcome in the world of economics. Self-selection out of traditionally masculine areas of study is often subconscious, and starts early.

Listening to Professor Alison Booth's keynote address at the Australian Gender Economics Workshop in February, it was as though she was recounting my personal experience. Her works explain the ways that the gender balance – or imbalance – in a competitive environment affects people's behaviour and choice-making. Environment matters: the more we focus on teaching economics as an applied field, and the more we acknowledge and fight for diversity of

*In a gender balanced environment, it is less difficult for us to be who we really are.*

people and of ideas, in our classrooms and in our workplaces, the more innovative and agile the world of economics will be.

As Professor Alison Booth concluded, in a gender balanced environment, "it is less difficult for us to be who we really are".

## References

1. Wolfers, J. (2017) 'Evidence of a Toxic Environment for Women in Economics', *New York Times*, <https://www.nytimes.com/2017/08/18/upshot/evidence-of-a-toxic-environment-for-women-in-economics.html>
2. Stevenson, B. (2018) 'Gender Representation in economics textbooks and what it means for inclusivity in the classroom'. Keynote address, *Australian Gender Economics Workshop*, [http://bcec.edu.au/assets/AGEW-2018\\_Betsey-Stevenson-The-Underrepresentation-of-Women-in-Economics.pdf](http://bcec.edu.au/assets/AGEW-2018_Betsey-Stevenson-The-Underrepresentation-of-Women-in-Economics.pdf)
3. The Economist (2017) 'Women and economics'. <https://www.economist.com/news/christmas-specials/21732699-professions-problem-women-could-be-problem-economics-itself-women-and>
4. Data collected by the Economic Society of Australia (ESA), presented at the Australian Conference of Economists (ACE), Sydney 2017.
5. Australian Institute of Company Directors (AICD) (2018), *Gender Diversity Progress Report: Volume 11*. <http://aicd.companydirectors.com.au/~media/cd2/resources/advocacy/board-diversity/pdf/06440-1-pol-gender-diversity-quarterly-report-jan18-a4-web.ashx>
6. Torchia, M. Calabro, A. & Huse, M. (2011) 'Women Directors on Corporate Boards: From Tokenism to Critical Mass', *Journal of Business Ethics*, 102: 2
7. WGEA (2018) <http://data.wgea.gov.au/>
8. WGEA (2018) [http://data.wgea.gov.au/industries/1#improve\\_gender\\_content](http://data.wgea.gov.au/industries/1#improve_gender_content)
9. 30% Club (2017) 'ASX 200 Director Snapshot', [https://30percentclub.org/assets/uploads/05925-COMS-30\\_ASX200-Skills\\_and\\_Experience\\_A4\\_WEB.PDF](https://30percentclub.org/assets/uploads/05925-COMS-30_ASX200-Skills_and_Experience_A4_WEB.PDF)
10. WGEA (2016) 'Gender equality in ASX 200 organisations' <https://www.wgea.gov.au/sites/default/files/gender-equality-asx-200.pdf>
11. Khadem, N. (2017) 'Shareholders begin voting against ASX200 directors for having no women on their boards: ACSI', *Sydney Morning Herald* <https://www.smh.com.au/business/careers/shareholders-begin-voting-against-asx200-directors-for-having-no-women-on-their-boards-acsi-20171107-gzgnr9.html>