Gender, money and finance

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In an epochal shift of consciousness, women finally started to be recognized in the past century for their social, political, economic and cultural contributions to society. Over time, people and policymakers have come to understand that addressing gender[2] inequality is critical to global progress. The OeNB's 48th Economics Conference, organized in cooperation with *SUERF – The European Money and Finance Forum, and the Joint Vienna Institute*, offered an opportunity to evaluate remaining gender gaps from a money and finance point of view.

In a nutshell, session 1 addressed the question how to achieve more gender-inclusive visions of and answers to our current challenges in economic policymaking. The discussions in session 2 confirmed that increased female participation can have a decisive influence on central bank policies. Session 3 delved into the debate about the relationship between gender and risk-taking. Session 4 addressed, among other topics, persistent gender differences in financial literacy, also in the context of the COVID-19 pandemic.

In kicking off the event, *Barbara Kolm* (OeNB Vice President), highlighted the paradox that while the economic fallout of the pandemic had disproportionately hit sectors with high female employment shares and/or prevented many women from continuing to work given increased childcare duties,[3] women were strikingly underrepresented in public task forces created to tackle these very challenges: a survey of 115 national COVID-19 committees in 87 countries shows that only 3.5% of these task forces had gender parity, while more than 80% were led by men.[4]

Judging from the fate of Shakespeare's fictitious sister whom Virginia Woolf had invented for her 1929 book, *A Room of One's Own*, to describe the unthinkable obstacles faced by young women attempting to express their genius at the time, Kolm acknowledged that we have come a long way. And still, there are lessons to be learned from metaphorical sisters of our day and age: "…if it had been Lehman Sisters rather than Lehman Brothers, the world might well look a lot different today."[5] In this vein, she ended with the clarion call: "Let's get to work!"

Session 1: Gender and economic policy making

Before inviting *Christine Lagarde* (ECB President) and *Kristalina Georgieva* (IMF Managing Director) to share their personal, professional, and institutional experiences in an interview with *Claire Jones* (Financial Times), OeNB Governor

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[2] *Naturally, the term gender encompasses more than the simple dichotomy male vs. female.*

[3] *See European Commission (2021) for European evidence and Alon et al. (2020) for the corresponding data on the USA.*

[4] *See Van Dalen et al. (2020) and the book by Caroline Criado Perez (2019) entitled "Invisible Women – Exposing Data Bias in a World Designed for Men."*

[5] *Christine Lagarde: Ten Years After Lehman – Lessons Learned and Challenges Ahead – IMF Blog (September 5, 2018).*

Robert Holzmann recalled that the research is very clear: It takes inclusive and diverse teams to arrive at better policy decisions, as different genders exhibit statistically different decision-making characteristics.[6] The research is equally clear that gender inequality and gender gaps often depend on nurture, rather than nature. Persistent stereotypes are known to lock in inefficient equilibria due to path dependence and the intergenerational transmission of certain cultural values.[7] Status quo bias can prevent even very highly qualified women from ascending the ranks. Breaking the "glass ceiling" requires bottom-to-top empowerment encompassing targeted fiscal, social and labor market policies as well as educational initiatives.[8]

Why are so few women in top jobs and what can be done to change that?

Considering the scarcity of women in top jobs, Lagarde offered three explanations. First, women are underrepresented in the pool of talent: among macroeconomics and finance graduates and post-grads, men outnumber women by far. Second, scientific evidence and coaching experience have shown a bias against women, which may even be an unconscious one, at recruitment and promotion levels. Third, all efforts notwithstanding, it is hard for women to reconcile their career aspirations with the wish to have a family.

Can things be done to change that? Yes. The ECB is trying hard by setting targets on a very granular level, but also by focusing on new entrants, having committed to fill 50% of all vacancies at all levels with women by 2026. For this to happen, the ECB relies on role models, godmothers and godfathers, leadership training and diversity ambassadors. Beyond the organization, the ECB is funding scholarships for prospective post-master level students who are female and in situations of financial hardship.

Challenges and solutions for a better involvement of women

With regard to better involving women, Georgieva singled out three critical challenges. First, the pandemic-related crisis will leave some deep scarring: For example, in Africa, where internet penetration is only 50%, many children will have lost more than a year of schooling when they arrive in the beyond-COVID world. Even more significant, the crisis has tipped the scales against young people, low-skilled workers and women – a dangerous divergence that can tear the fabric of society. Second, after the 2009 financial crisis, we concentrated on the resilience of the banking sector, Georgieva argued. And it has paid off. But that concept of resilience did not include the nonbanking financial institutions; and it doesn't recognize that climate is a big source of shocks yet to come. Thus, we have to build resilience in a more comprehensive manner, which is much more likely to happen with women at the decision table. Third, who is the big winner of this crisis? It is the digital economy, where women have yet to carve out their place. Only 10% of fintech owners and board members are women. And that holds back access to digital technology for women.

[6] *See Profeta (2020), in particular chapter 5, for an excellent summary of relevant research on this topic; and Gerling et al. (2005) for an extensive survey on group decision-making.*

[7] *For example, see Alesina et al. (2013), and for the monetary policy context, Diouf and Pépin (2017).*

[8] *See for example Del Boca and Locatelli (2008).*

Lagarde and Georgieva also confirmed their own responsibility and involvement. At the IMF, Lagarde had built the pipeline of women for managerial roles, and now, under Georgieva, the IMF has increased the share of female directors from 25% to close to 40%. But most importantly, the IMF is very actively engaged in building capacity in financial authorities, especially on the issue of gender-based budgeting, partly also through training provided through the Joint Vienna Institute. And, for the first time in history, the IMF has appointed a senior adviser on gender.

Turning to the room and need for gender-related policymaking coming out of the crisis, Georgieva identified three problems that need to be addressed: labor market participation of women and their ability to contribute to the economy (through a supportive tax regime and gender-based budgeting); the homemaking work women do and what can be done to even the playing field between men and women; and policies related to gender-based violence.

On the importance of role models

Very personal memories were shared in response to the question how important female role models had been in their careers. Georgieva named Chancellor Angela Merkel as a visionary of inclusion and recalled an eye-opening first encounter, when she was "called to the rescue" to bring some gender diversity to a meeting of (all male) World Bank leaders with a mixed-gender German delegation, headed by Merkel as Germany's then environmental minister. Lagarde named role models for female resilience (her mother; having raised four children on her own as a widow) and for female leadership (the only female partner at Baker McKenzie at the time she joined the international law firm). More generally, both agreed that "women are there to support women."

Eye-openers during the pandemic and final takeaways

In terms of the biggest eye opener regarding gender and economic policymaking, Georgieva shared that she had been shocked most by how easy it was for gender equality to go backward during the pandemic. Lagarde had not anticipated the big impact on mental health. And the pandemic showed how fragile we are, and how care and empathy are needed for mutual support.

From the audience, Lagarde was asked about the low-interest rate world and if women, who are more cautious, are missing out. Lagarde cited an encouraging study which showed that women actually outperformed men – because women took a longer-term view of investment, trading at a somewhat lower frequency. (See also session 3 below.) Georgieva added that women tend to be more inclusive and more willing to listen to different points of view before coming to closure.

Regarding takeaways, Lagarde said that the way out was to support women and to strengthen their confidence whenever needed, recommending the book *The confidence code: the science and art of self-assurance – what women should know.* Georgieva cited Eleanor Roosevelt: "'Women are like tea bags. You don't know how strong they are until you put them in hot water.' So, my message to young women: jump into this hot water. You are strong!" With a view to pandemic-related policymaking, Lagarde concluded, "I would say just one thing: put people first." To which Georgieva added: "Disaggregate your data. You need to understand how policies affect different groups of people, how they affect women. And then base your response on what you learn."

Session 2: Central bank decisions by committee: does gender matter?

The motivation for session 2 – and indeed for the conference as such – was an observation made by many women, including the session chair, *Doris Ritzberger-Grünwald* (OeNB Director of Economic Analysis and Research): "Having another woman present 'makes such a big difference' to the tone of a discussion and how decisions are made," as ECB Executive Board Member Isabel Schnabel, often the only woman in meetings, had put it in a Financial Times interview (2021). The session profited from both academic input and the participation of three high-ranking central bankers, from France, Iceland, and Serbia.

Facts and figures – where do we stand?

Paola Profeta (Professor at Bocconi University) presented the main findings of her own research (Masciandaro et al., 2020) on the presence of women in top central banking positions (monetary policy committees or governor/deputy governor level) in more than 103 countries. She and her co-authors found a large heterogeneity, with Canada and Sweden being in the lead with full gender balance, followed by Serbia and Bulgaria. From 2002 to 2016, the share of women in monetary policy committees increased from 11% to 16%, and the share of female governors and deputy governors rose as well. The largest increase was found in North America, whereas in Europe conditions remained broadly unchanged.

Of the three explanatory variables tested – gender gap index, staff gender ratio and central bank independence – Masciandaro et al. (2020) only found the staff gender ratio to have a significant positive influence on the share of women in top central banking positions. Thus, a policy conclusion would be that we should start at the bottom, having more women in these institutions in general. Ritzberger-Grünwald agreed but added that many (vice) governors had joined their central banks from other organizations.

Contributing the Nordic view, *Rannveig Sigurdardóttir* (Deputy Governor, Central Bank of Iceland) explained that Iceland had a relatively good starting point, with a female staff ratio of approximately 50% of staff, family-friendly workplaces and equal pay implemented at the central bank. Yet, it would be important to further enhance recruiting processes and open up career paths, given remaining room for improvement.

Sylvie Goulard (Vice Governor, Banque de France) added that even with many female deputies, central banking at the top was still a man's world, citing a male share of 93% at the ECB (Governing Council, 1998–2021), 89% in the Fed (FOMC, 1960–2021) and 88% at the Bank of England (Monetary Policy Council, 1997–2020) according to Istrefi and Sestieri (2018). To help staff to balance work and family life, the Banque de France had concluded a gender equality agreement, which did lead to an increase of the proportion of women in senior positions. On the downside, she pointed out the risk of doing part time, which typically put an end to careers. In terms of action points, she highlighted the need to better balance gender across professions (with 73% women in the human resources department at the Banque de France, but only 18 in banknote manufacturing and 30% in the IT growth area).

Ana Ivković (Vice Governor, National Bank of Serbia) had a success story to tell, with Jorgovanka Tabaković, Governor since August 2012, now being in her second term. Only every tenth central bank is headed by a woman, and according to the OMFIF Gender Balance Index 2021, the countries with a female governor tend to be small countries. Surprisingly, the Serbian central bank has no gender policies in place. Only "normal" rules and standards apply, as set by the government, like maternity leave and financial assistance at the birth of a child, also apply at the bank.

Do committees work differently when women are present?

Again contributing the academic view, Profeta addressed the inherent endogeneity problem: is there really a causal relationship, are determinants at play, or is there even reverse causality? In short, her research finding is that countries with a higher share of women in the relevant committees produce tougher monetary policy decisions. A possible explanation comes from financial literacy: as women are more risk averse, they are also more inflation averse than men. As a result, at the same level of inflation, central bank committees with a higher presence of women showed a more hawkish behavior. Beyond that, the share of women had effects on performance, the selection of other board members, and agenda setting.

Sigurdardóttir argued that the literature was in fact inconclusive, finding evidence for both more dovish and more hawkish behavior of women. At Iceland's central bank, at any rate, male and female monetary policy decision-making was well-aligned. More generally, she argued that gender balance in committees was a question of legitimacy: gender balance was necessary to ensure a democratic policy outcome. Overall, it was important to bring in diverse views of diverse people, not only with a view to increasing the credibility of the decision-making process. Gender diversity also enriches the discussion and broadens the range of topics dealt with, to include e.g. environmental issues.

Goulard steered the discussion to the more relevant question: What do women expect from us? What do women tell us? As the listening events of the ECB and of the Banque de France showed, women are concerned about declining purchasing power, the worsening of the economic outlook, unemployment and job precariousness, climate change and growing inequality and poverty. She joined Sigurdardóttir in saying that diversity was an ethic imperative, but above all a way to double the pool of talent. Concerning monetary policy decisions, diversity is de facto a tool to improve communication. And she joined Lagarde in trying to do away with the distinction between doves and hawks by supporting owls. Ivković rounded off the picture by quoting Serbia's Governor Tabakovic, incidentally appointed "Central Banker of the year 2020": no one can do the job alone: at the end of the day everything is teamwork.

Session 3: Gender and risk-taking: implications for financial firms and regulation

In her introductory remarks, *Karin Turner-Hrdlicka* (OeNB Director for the Supervision of Significant Institutions) cited that, according to IMF research, a higher proportion of women on the boards of banks and financial supervision agencies is associated with a higher level of stability. Over the past few years, the "MSCI World Women's Leadership Index" outperformed the standard MSCI World Index, indicating that a more balanced gender mix may lead to superior market performance. Various studies have concluded that women are more likely to invest in sustainable and socially responsible areas, in view of climate change and other issues. Nevertheless, women remain underrepresented in the financial world, especially when it comes to executive positions and leadership functions.

The widespread belief that women are more risk averse than men is rooted in stereotypes

Julie A. Nelson (Professor Emerita of Economics, University of Massachusetts) presented a meta-analysis of over 50 empirical studies regarding gender and financial risk. This analysis failed to confirm general gender differences in mean scores as predicted by stereotypes. Any differences that were observed were always trivial, and the connection between gender and risk preferences was found to be extremely weak. Nelson concluded that a more balanced gender mix in policy institutions would make for better decisions, since this would lead to a more comprehensive set of human traits and interests – including concerns with safety and trust-worthiness – to be appreciated and enacted by all leaders.

Renée B. Adams (Professor of Finance at Saïd Business School, University of Oxford) agreed that women were not more risk averse on average than men. Using information about the directors of listed companies, Adams found that in particular female managers at financial firms even show a remarkably lower level of risk aversion than men. Regarding the question whether a more balanced gender mix would enhance social responsibility, Adams concluded that the more meaningful question would be whether financial firms would benefit from debiasing and removing (gender-related and finance-specific) barriers for advancement. The answer to this question was clearly yes.

A more balanced gender mix leads to a higher level of innovation, better business results and improves the CSR profile of financial firms

Becci McKinley Rowe (Head of Fundamental Active Equities in EMEA at Blackrock) agreed with Nelson and Adams that risk behavior is not gender specific, citing anecdotal evidence from her 25+ year career in the financial service industry. According to her experience, gender diversity leads to better business results, better decision-making, better solutions and better risk-taking as it enables a broad representation of views: "I want to know the unknown – that's why we need diverse teams." McKinley Rowe concluded that the financial service industry had turned far more gender-inclusive in recent years. However, the COVID pandemic may have partially reversed this positive trend, since increased childcare responsibilities, homeschooling and other issues had an adverse impact on the career paths of women.

A progressive gender and diversity balance not only boosts innovation and business results but may also improve the corporate social responsibility (CSR) profile of organizations, argued *Khlood Aldukheil* (CEO of Erteqa Financial Company): "I do believe that women will bring stability to the CSR agenda." According to Aldukheil's experience of 25+ years, women are risk-takers, just like men, but tend to be more diligent due to a "caretaker instinct." Aldukheil was optimistic that education and knowledge would give women the confidence to be less risk averse and shared her views on related initiatives and recent changes for women in Saudi-Arabia, including government initiatives to increase female employment, remove employment restrictions and guardian requirements, and lift the female driving ban to support working women. Gender-specific obstacles might be overcome by changing the underlying social setting, and specific campaigns could help to shift the general mindset, Aldukheil concluded.

Gerda Holzinger-Burgstaller (CEO of Erste Bank Austria) added that financial firms and institutions benefit significantly from encouraging career paths for talented women, as diverse and heterogenous teams are more innovative, exploiting cognitive diversity. In addition to successful women acting as role models when it comes to gender diversity, this requires clear commitments: top-down target setting (such as quotas); diversity-based talent management and succession planning; and measures endorsing gender diversity within the fit & proper framework, making diversity a leadership accountability and enforcing data-based reporting and monitoring. To avoid career paths being abruptly stopped during parental leave, Erste Group initiatives, for instance, include efforts to keep in touch with absent staff and continue to treat them as part of the organization.

Turner-Hrdlicka concluded that given the differences among men and among women, respectively, the most meaningful way forward might be to focus on individuals even more so than on gender differences. Summarizing the panelists' contributions, she underlined the strong case for more gender diversity in financial firms and institutions, pointed to ensuing managerial responsibilities and recalled key action necessary in this respect: managing talent, providing opportunities and empowerment, setting and monitoring targets, and improving financial education.

Session 4: Gender, financial literacy, inflation and COVID-19

This panel, chaired by *Petia Niederländer* (OeNB Director of Payments, Risk Monitoring and Financial Literacy), discussed gender differences in financial literacy, effects on financial well-being and measures to build financial resilience in times of crisis.

Anamaria Lusardi (Professor at the George Washington University School of Business) shared the latest Personal Finance Index data obtained under a long-term survey project launched in 2017 to assess financial literacy. The index is built from responses to 28 questions about earning, consuming, saving, investing, managing debt, insuring, comprehending risk and information sources. The data confirm a persistent gender gap: on average, women correctly answered 49% of the 2020 P-Fin Index questions, and men 56%. Men outperformed women on each topic, above all in areas which are particularly relevant during a pandemic, like comprehending risk, insuring, and investing.

Lusardi highlighted the role of confidence or a lack thereof, in arriving at a better score, since women have been more likely than men to answer "do not know" across all areas. When the "do not know" option was removed from the survey, women fared better. Similar gender differences have been established with the indicator of financial well-being. Because gender differences and confidence building start at a young age and financial literacy is directly linked to future financial wellness, Lusardi concluded that investing in early education and focusing on vulnerable groups like women will be the road to recovery from this pandemic.

Gender & finance: an Austrian perspective

A 2021 study about stock market participation presented by *Angelika Sommer-Hemetsberger* (Member of the Board of Executive Directors at Oesterreichische Kontrollbank) found approximately every second woman but only every third man to indicate a lack of knowledge of stock markets, thus confirming the link between financial literacy/confidence and capital market participation. With regard to the

COVID-19 pandemic, the study did not identify any major changes in views and behavior. However, women had become more sceptical about the stock market, and almost every second female answered that she was now saving more and spending less.

In the latest International Survey for Adult Financial Literacy conducted in 26 countries Austria came in third. In an effort to improve national financial literacy competencies further, Austria's finance ministry launched a project to develop a national financial education strategy in May 2020. Its mapping report Financial Literacy in Austria, released in cooperation with the OECD, recommends a comprehensive approach including efficient stakeholder coordination and audience-targeting based on evidence or policy priorities. Research and program evaluation are likewise encouraged. Sommer-Hemetsberger concluded that a national strategy would increase financial well-being and resilience in Austria, helping to reduce gender imbalances in the economy and society.

Can financial education help bridge the gender gap? Reflections from Singapore

Joanne Yoong (Program Director, University of Southern California) stressed the importance of building educator networks and target group alliances, sharing the success story of a long-term financial education program developed by a local foundation in Singapore. This initiative had brought small groups of elderly women together in community centres for a 12-week program about financial and social skills. Ten years later, a large percentage of these women continued to have elevated financial knowledge scores, and only a very small group resorted to "do not know" answers. Up to 95% of the women had their own savings and 75% kept track of their expenses. More generally, the program participants were found to exhibit enhanced confidence and self-awareness, and they were also more likely to cope better or find new ways to adapt to the pandemic conditions.

Yoong illustrated how socially significant such interventions can be, reporting that the participants had remained in close contact, encouraged by alumni meetings. They felt empowered to discuss financial questions freely with their peers. In conclusion, the success of financial education programs relies not solely on the curriculum but also on tools, networks, self-efficacy and life-long learning opportunities provided.

Gender & finance: a central bank's perspective

Andréa M. Maechler (Member of the Governing Board at the Swiss National Bank) addressed the link between inflation perceptions and financial literacy, citing international evidence according to which women appear to have systematically higher inflation perceptions and expectations than men (Kemeny and Pochon, 2016) and the finding that, once controlled for economic literacy, no significant differences between male and female respondents remain. This confirms the importance of the SNB's financial literacy programme, Iconomix.

With reference to Brown and Graf (2013), Maechler shared survey evidence according to which the three staple questions on financial literacy – about the concepts of compound interest, inflation and risk diversification – were understood by only 50% of Swiss respondents (which still is a high number in international comparisons). Although 62% of men answered all three questions correctly, compared to only 39% of women, the gender gap in financial literacy is not only driven by correct or incorrect answers. Women did not provide answers or gave "don't know" answers twice as often times as men, corroborating the assumption of self-doubt in women concerning financial and economic matters.

A general knowledge gap?

In the final presentation, *Sylvia Kritzinger* (Professor of political science, University of Vienna) raised the question whether there might be a general knowledge gap between genders, given that not only financial literacy but also political knowledge seems to be lower for women than for men. One possible explanation are certain social gender norms. In a 2018 survey, 40% of the population still agreed with statements indicating that a woman's main goal was to have children and stay at home, and 53% thought that children suffer if mothers work. Surprisingly, these statements were mostly approved by female respondents. As a result, women suffer from socioeconomic disadvantages (e.g. less resources for education).

Kritzinger went on to speak about measurement bias. Literacy exercises usually lean towards men's interests and exclude women's life experiences by asking for factual knowledge. Furthermore, Kritzinger revisited the fact that men tend to guess even if they do not know the correct answer, while women won't and suggested dropping the "do not know" response option. With regard to the pandemic conditions, she listed measures to actively boost confidence, reduce socioeconomic disadvantages, provide gender-friendly socialization during childhood and adjust knowledge measurement tools as the vision for the future.

Petia Niederländer wrapped up the conference with the encouraging conclusion that a national strategy carried the promise of creating a culture of financial literacy spanning gender, age and time and should therefore be promoted by ministries, central banks and other public institutions. Keeping the dialogue going between all stakeholders, including the private sector, could provide for new inspirations and help closing the gender gap.

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