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We must use all our talent and diversity – The case of the National Bank of Serbia

According to statistics, central banking is still a man's job. Yet, in Serbia, the situation is different or to say – much better. In the National Bank of Serbia (NBS), women hold the positions of the Governor and of the Vice Governors, making 75% of the Executive Board. We respect and implement gender equal rights, but, more importantly, equal rights and respect for everyone. Whether you're a woman or a man, the work is the same. What have we learned?

1. Gender is only one of the many dimensions of diversity that we all have to value.
2. Society should not make a simplistic choice between men and women, but we should support each other's best.
3. The world should empower women more, but opportunities should be given to those who have the right knowledge and skills.
4. Society can reach its full potential only, if we are open to diversity and use all talent available. Institutions cannot be at their best if hard working and talented people cannot imagine themselves in senior leader positions.
5. Unequal opportunities lead to lost productivity and growth. Therefore, once equality is achieved, a positive feedback loop that promotes quality will emerge.

1 How does the National Bank of Serbia fare in terms of gender equality?

Statistics say gender inequality exists in the NBS – in favor of women. So, it is an example of a women-dominated central bank:

1. The NBS is headed by she-Governor, Jorgovanka Tabaković, who is our strong leader

2. Women represent 75% of the Executive Board – three out of four Board members are women.
3. Regarding managerial positions, women account for 57%.
4. Women make up 57% of all NBS employees.

If we include global numbers in the equation, a simple conclusion is that the NBS is doing quite well. For comparison purposes, we can use the Gender Balance Index of the Official Monetary and Financial Institutions Forum (OMFIF), which tracks the presence of both women and men in decision-making processes in central banks. The report also covers gender policies in central banks, e.g. regarding the implementation of gender quotas and identifying gender pay gaps – and it is worth reading.

So, what is the message that it is sending us? On the first page of the 2021 report¹, the first sentence one can read is that “This statistic is a call to action”. Although global statistics show a positive development towards more women governors, still only 18 out of 185 central banks covered by the report are headed by women. They account for less than 10%, meaning that just one in ten central banks is headed by a woman. The NBS holds the 12th position on this list, which puts us in the top 7% on a global level. The reason for not being in the top 5 is the above-mentioned gender inequality in favor of women. The Gender Balance Index also finds that in smaller countries women tend to do better in terms of leading positions.

Now, the question is whether gender equality is an issue at all in the NBS. Numbers say that the NBS is a women-led central bank – by the end of this paper, it will be clear why this is the case.

¹ https://www.omfif.org/wp-content/uploads/2021/03/GBI_2021-2.pdf.

But first, it is worth to put on paper some of our answers given for OMFIF's Gender Balance Index 2021, explaining the NBS' working environment. We don't have: gender quotas; an executive or a staff member explicitly assigned to matters regarding gender, diversity and inclusion; a policy that ensures that during hiring processes both female and male candidates are selected for an interview; a policy that considers gender when promoting employees to senior management positions; an external organization that assesses our policies or practices concerning gender equality. To sum up: we don't have any of these, and yet, women outnumber men in the NBS.

What are the reasons for such an uncommon gender environment? When hiring and promoting, we are looking at all qualities and skills a candidate offers, as each position should be held by a professional with adequate knowledge. Our colleagues heading the Bank's organizational units are experts with huge experience regardless of their gender. Whether you're a woman or a man, the work is the same. We created a welcoming working environment, and our colleagues have ample opportunities to listen and participate, to present their proposals, to be seen and heard knowing that their inputs matter and count. In other words: the NBS offers fair and equal opportunities to all colleagues who are willing to do their best and to grow together with the institution.

The OMFIF Gender Balance Index also deals with an issue that has been one of the many obstacles for gender equality in general: maternity leave and taking care of families. In this field, the NBS fully follows the Labor Law of the Republic of Serbia, which stipulates a ban on any kind of discrimination, direct or indirect, for reasons of gender, religion, political or other belief and social background, to name a few. The

state guarantees a year of paid maternity leave for the first and second child, to which the father is entitled to as well, if the mother is not able to take care of the child due to justified reasons. For the third and fourth child, paid maternity leave is prolonged to two years, which is very important family support. The NBS also provides a one-time financial assistance in case of a childbirth or child adoption. Moreover, it offers working time models of remote working, working from home, flextime, and part-time working. These options are available to both women and men, and they proved to be very helpful, especially for women, to better balance their work and family obligations.

If we broaden the picture and look at statistics at state level, gender is also an issue for the whole country of Serbia, as women make up more than 51% of the population. Its citizens enjoy gender equality guaranteed by the Constitution, which is why we have laws dealing with gender equality and strategies to promote it. Serbia was the first non-EU country that introduced the Gender Equality Index to help Serbian authorities in creating policies which are in line with European standards regarding gender equality – an important step welcomed by the EU. The index measures six areas (health, money, knowledge, work, time and power) and shows a rising trend in women's participation in many areas, especially in the domain of political power as members of the Government and the Parliament.

Serbia has a female Prime Minister, and 10 out of 21 ministers of the Serbian Government are women, making it one of the most gender-balanced governments in the world. They are leading important Ministries, e.g. the ones for Economy; Mining and Energy; Labor, Employment, Veteran and Social Affairs; Human and Minority Rights and Social

Dialogue; Justice; and Environmental Protection. According to Bloomberg, the change in the gender composition of the Serbian Government propels the country “to the brink of the global top 10 for gender equality²”. Also, the Global Gender Gap Report³ published by the World Economic Forum in March 2021, which compares gender gaps across four dimensions (economic opportunities, education, health and political leadership), shows that Serbia is ranked as one of the five most-improved countries in the overall index. The report covers 156 countries, and if we look just at Eastern Europe and Central Asia, Serbia holds the second place.

To conclude, it is true that in the NBS women dominate in numbers but not because of gender, but because of the way they do their jobs. Our Governor Jorgovanka Tabaković says that “through generations, a lot has been done to raise social awareness about the fact that there are no special women’s rights but the obligation of society and each individual to consistently respect the *basic human rights*”.

2 How does gender diversity affect monetary policy decisions?

This question is not easy to answer. Each survey that we have to fill out has at least one question concerning gender – obviously, as gender affects the way we think and therefore determines the decision-making process, right? I believe that a discussion on this topic could have the same title as Alan S. Blinder’s and John Morgan’s work “Are two heads better than one?”. This is a good question, and I believe that there exists consensus that they are. Yet, regarding the question how

gender affects monetary policy decisions, the answers and conclusions differ, which is not surprising.

Why? Partly because it is hard to scientifically analyze gender behavior, especially if there are no data series going back long enough. While many authors have studied various factors of decision-making processes in central banks – e.g. the number of committee members, external versus internal members, educational degree and career characteristics – very few of them made comprehensive analyses whether women have different leanings regarding monetary policy objectives than men.

The most common types of policymakers that we found were the following three: inflation-fighting hawks, growth-promoting doves and centrists (who seem to have switched from one type to another). We have analyzed several papers and, as said, found different conclusions. One of them is that central banks with a higher share of women in the board would likely adopt a different approach to tackle inflation than male-dominated ones, as female governors would tend to implement a higher interest rate than their male counterparts would do in their situation.

One possible answer for such correlation is that women tend to be more risk-averse than men. Based on these findings, we could also say that the gender composition of policy committees is even more important in inflation targeting countries. Yet, we also found an analysis implying that women are more on the dovish side than men. Expectedly, authors quite often highlight that the sample size is too small to scientifically verify their results and offer other factors which influence monetary policy

² See Bloomberg’s article “Next Serb Government Among Most Gender-Balanced In the World”: <https://www.bloomberg.com/news/articles/2020-10-25/serbia-to-become-one-of-world-s-most-gender-balanced-governments>.

³ <https://www.weforum.org/reports/global-gender-gap-report-2021>.

preferences, such as ideology or events that shaped the lives of governors before they joined their respective central banks.

We also came across studies explaining a gender gap in inflation expectations, suggesting that women tend to perceive higher long-run inflation compared to men due to several reasons, such as different, gender-based information-processing or because of the fact that women are more frequently doing the grocery shopping, and grocery price inflation is a more volatile component of inflation.

Some analyses imply that if women care more about social problems, and we believe that they do, this may mean that women are more likely to use monetary tools to fix cyclical macroeconomic problems. The International Monetary Fund (IMF) conducted a gender-related survey among leaders who are economists, and the findings showed significant statistical differences in opinions between men and women economists. The largest gender difference lies in choices between market-based solutions and government intervention. According to this survey, an average female economist is more likely to be in favor of government intervention if the conditions call for such action.

So, there are different presumptions regarding the influence gender has when it comes to choosing between curbing inflation or encouraging growth, when the choice is to be made. But what we have found as a common ground is that when policymakers are formulating monetary policy, it is crucial to include both women and men economists at the table. Why? Women bring new skills to the workplace. They diversify the pool of talents and competences, which increases creativity and innovation. Women are less present in the media, but when they go live, they are more transparent, they have a more empathetic and compassionate style of communication,

so people seem to trust women more than men. As the trust channel has become one of the important channels in conducting monetary policy, especially nowadays, this can boost policy credibility.

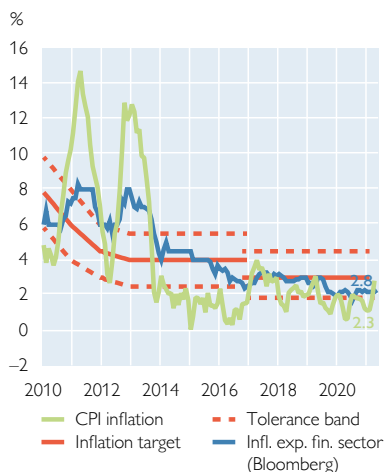
What can we conclude from the Serbian case? We can start with statistics related to the gender issue of the NBS' governors. Within our history of 137 years, the Bank has had 29 governors, only two of them women. The first one was appointed in 2003 and served just seven months. The second one is Madame Jorgovanka Tabaković, now in her second term, nine years so far. The fact that she is the Governor with the longest term in the last 100 years is a confirmation that she is doing a better job than her male colleagues did previously. How?

A decade ago in Serbia, we were analyzing the causes and consequences of the dinar depreciation of 8% annually, and we were addressing the factors of double-digit inflation, an increasing unemployment rate, rising nonperforming loans (NPLs) and much more. At that time, men occupied almost all leading positions in the country. Then in 2012, political changes took place in Serbia. New country leaders brought about a completely positive transformation of the economy. At the very beginning, our Governor Jorgovanka Tabaković recognized where the problems were and started to resolve them decisively. She adopted a new approach to monetary policy, and since then we have achieved much more at much lower expenses. She proved that we *can* have it all: a historically low level of the key policy rate, low inflation and dynamic growth.

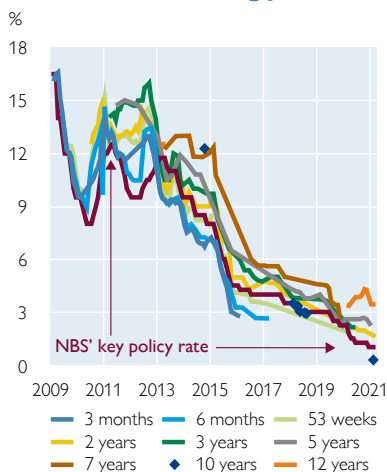
Today, when talking about Serbia, we talk about low inflation, anchored inflation expectations, a relatively stable dinar exchange rate and significantly more favorable financing conditions (see charts). Serbia has a rising

Chart 1

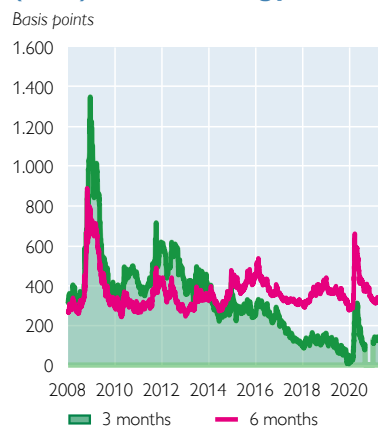
Inflation stabilization



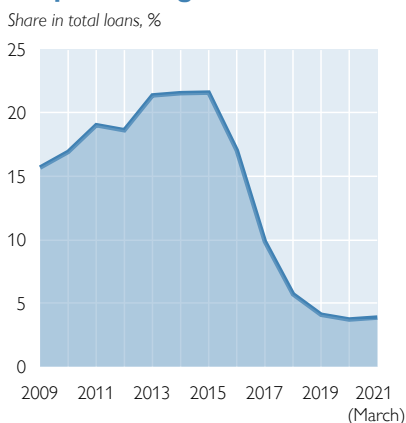
Interest rates on dinar government securities strongly reduced



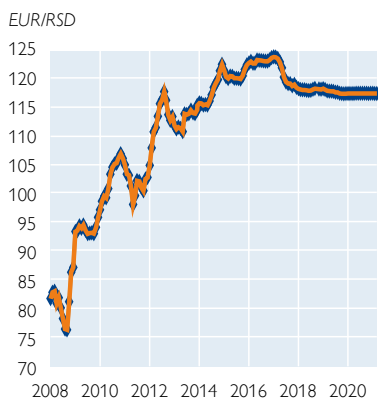
Emerging Market Bond Index (EMBI) for Serbia strongly reduced



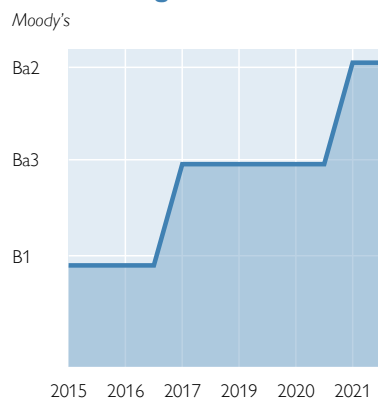
Strong reduction in nonperforming loans



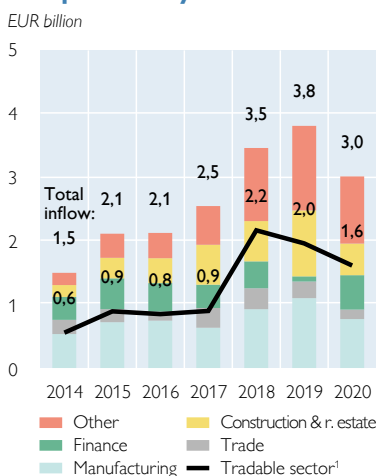
Stabilized dinar exchange rate



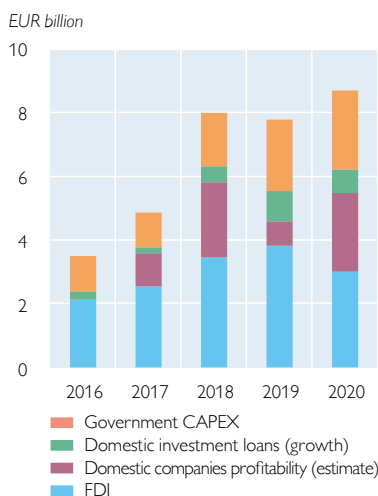
Credit rating to one step to investment grade



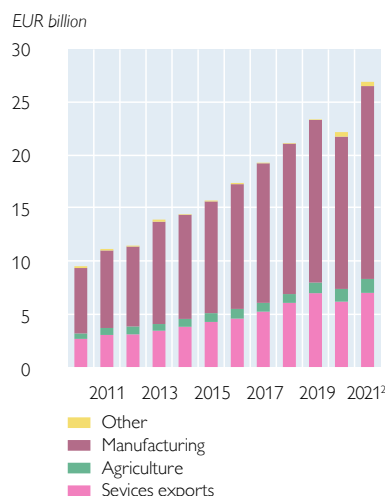
Foreign direct investment composition by sector



Sources of investment financing



Strong export growth



Source: NBS.

¹ Industry, agriculture, transport & storage, accommodation and food services.

² NBS' forecast for 2021.

employment rate, better infrastructure, less regional differences and provides modern services across the country. So, it did not come as a surprise when Jorgovanka Tabaković was awarded as the best World and European Governor of 2020 by The Banker magazine, voted by her colleague governors. They concluded that the stability of the Serbian financial sector as well as the overall success of the Serbian economy is owed a great deal to our Governor's work. They assessed that the resolved legacy of high and volatile inflation, high NPLs, together with improved buffers in terms of foreign exchange reserves are huge drivers of the growing confidence in the Serbian economy. The Banker also concluded that the NBS' most remarkable accomplishments have been achieved with the guidance of Governor Jorgovanka Tabaković.

Also, if we look at the responsibilities of central banks, almost each ensures a safe payment system, but our Governor had a broader vision: the implementation of an instant payment system available 24 hours, 7 days a week, all year round. It is widely used, it is easy to be used and it is 100% safe. Although a sort of consensus exists that jobs in the field of new and modern technologies are more of a man's job, in Serbia this is not the case. Serbia is the right example of how strong and good leadership, and a clear vision can overcome any challenges and bring about a positive transformation of the economy. Today, citizens in Serbia enjoy full monetary and financial stability.

If you ask Governor Jorgovanka Tabaković, she will say that one person alone, no matter how smart and brave she or he is, cannot do the job alone. She

is doing her job together with President Aleksandar Vučić, and she believes that people are the greatest assets because it is the people who make decisions and bring prosperity.

3 What are the remaining global challenges?

The United Nation's Sustainable Development Goal 5 "Achieve gender equality and empower all women and girls"⁴ set the target that until 2030 the world will strive to achieve women's full and effective participation at all levels of decision-making processes in political, economic and public life. What are some of the obstacles down this road? It starts with the tendency that women focus their studies on lower-paying faculties like social sciences. In some cases, labor regulations limit women's access to jobs as they have a hard time balancing work and household responsibilities, especially if it is hard to find childcare. Additionally, women have less access to finances, as they own less properties in their names – meaning less collateral for loans – and thus getting less opportunities to become entrepreneurs. So, what could be tiny steps to boost women up the career ladder?

1. Organizations can and must do their part, but government policies are crucial too! What can legislators do? They can offer chances, but these chances need to be real – abstract and empty words on paper or quotas are not enough. People need evidence that those chances are real.
2. We must walk the talk. We have seen institutions recognizing the gender issue, but not so much real action. A balanced gender composition is necessary to guarantee diver-

⁴ <https://sdgs.un.org/goals/goal5>.

sity, but it's not enough. Institutions have to acknowledge all aspects of equality and implement all they put on paper in good faith.

3. Have confidence in yourself and your skills. Today, it is much easier to balance work and family, as there are many childcare services. In the end, improved access to childcare can help us all, not only women. Again, what can legislators do? They can offer chances, but these chances need to be used too – and we should all use our chances.
4. It is a nation's obligation to do everything to leave no one behind – a principle reflected by the opening line of the UN Charter “We the Peoples”, meaning “made by people, for people”. Therefore, we should all work

as partners to promote basic human rights and to create opportunities.

5. Finally, partly advice, partly a wish: let us have more she-governors and let us have equality – not just regarding gender, but regarding every aspect of our lives. All of us can contribute to achieving this goal by being good role models. Women role models inspire others to envisage the possibility of a successful career in traditionally male-dominated fields. I believe that having a good role model is equally important as sound legal grounds. I have my role model and she once told me that “being a successful and satisfied woman as well as a mother, who demonstrates that it is possible to be both, is the best way to motivate others”.