**General use restriction**
This report is prepared solely for the use of the Westpac Banking Corporation (Westpac). This report is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. The report has been prepared to develop thought leadership to explore and measure the benefits of diversity (with a specific focus on gender diversity) on business outcomes and the Australian economy more broadly. You should not refer to or use our name or the advice for any other purpose.
Australia’s $10.8 billion diversity opportunity
Westpac Diversity Dividend Report

Opportunity for a $10.8b bigger economy

- Parity could mean a 2.1 p.p profitability boost for business
- Equivalent to a 0.6% increase in GDP

Of the 1,000 businesses surveyed...

- 65% of businesses expect an increase in productivity and engagement from balance in leadership

- Of those with a policy:
  - 2/3 measure or report on performance
  - 1/4 cite organizational culture
  - 2/5 cite lack of talent

- Of those with no change in leadership:
  - 57% don't have a policy

- Barriers to achieving gender balance in senior leadership in business

Having more women in leadership would create dividends for Australian businesses and the economy...

- Only 34% of senior managers are women

Of those with a policy, only 40% of businesses have seen no change in gender balance in senior leadership in the last 2 years

WESTPAC DIVERSITY DIVIDEND REPORT
Australia’s $10.8 billion diversity opportunity

Deloitte Access Economics
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Executive Summary

Leadership is critical to the success of business. Improving the quality of leadership in Australia’s businesses can represent as much as a $70 billion opportunity for the Australian economy.\(^1\)

Effective leaders are characterised by personal features, shaped by factors like education and skills. But the composition of leadership teams is also crucial to business success. Indeed, boards with gender-balanced representation perform better than those without.\(^2\)

Despite these benefits, the make up of Australian organisations still does not mirror the broader population. Women make up only 34% of senior managers in Australia,\(^3\) but account for 51% of the population and 47% of those employed.\(^4\)

Australian businesses have made significant progress in improving diversity in leadership in recent years. But, there is still much more that needs to be done.

This *Diversity Dividend* report for Westpac is an important contribution to the research in Australia. It broadens the research and conversation about the importance of women in leadership in three key ways:

1. It focusses on all senior management rather than just executives and boards.
2. It estimates the size of the lift in economic and business dividends from gender diversity.
3. It also considers the importance of inclusion in harnessing the benefits of diversity.

It achieves these three key outcomes by conducting a new national survey of over 1,000 business leaders and providing new analysis of key data.\(^5\)

The evidence suggests that having a greater representation of women in senior leadership positions makes business sense. Improving business outcomes is the second highest reason for establishing a gender policy, after aligning with the broader vision of the organisation. More than one third of businesses with gender policies established these policies to improve business outcomes.

Our report finds that businesses could record an average 2.1 percentage point increase in profitability through reaching gender parity in senior management.\(^6\) For most businesses, this benefit will be spread over a period of years, and accrue until the business reaches parity.

Businesses could also expect improvements in other key metrics:

- lower rates of absenteeism and sick leave;
- more active listening to all stakeholders;
- more engaged female customers; and
- better teamwork.

Businesses could record an average 2.1 percentage point increase in profitability through reaching gender parity in senior management.

---

\(^1\) Deloitte Access Economics (2016)
\(^2\) Post and Byron (2015)
\(^3\) Workplace Gender Equality Agency (WGEA) (2016a)
\(^4\) ABS (2017b)
\(^5\) The company data has been collected by IBISWorld and the WGEA
\(^6\) This increase in profitability is measured by a return on assets, after controlling for factors like industry, size and historical performance.
More diverse and inclusive leadership would also provide other economic benefits, by increasing participation in the labour force.

A range of factors, like childcare costs and wages, can be significant determinants of labour force participation. But senior leaders also play an important role in encouraging more women to work, and supporting flexible work policies.

Having an equal representation of women in leadership could lift labour force participation and add up to $10.8 billion to the Australian economy every year.

Unlocking these benefits will take time. Of the businesses we surveyed, one in five do not expect to have reached gender parity in senior leadership within five years. Further:

- **two in five** do not have a gender strategy or written policy in place;
- of those businesses who have a policy, **less than two-thirds** report on outcomes;
- only **12%** of businesses have dedicated budgets;
- only **6%** have dedicated staff time to the development, maintenance and execution of a diversity and inclusion focus; and
- **17%** think that diversity is the responsibility of staff and the HR team, yet businesses that have already achieved gender balance drive it from the top.

A lack of female talent in the pipeline is the number one barrier identified by businesses in our survey as preventing equality in senior leadership. Two in five Australian businesses cite a lack of female talent either within the organisation or the workforce more broadly.

But data also shows that women represent a smaller proportion of management positions as seniority increases. Just 16% of CEOs are women, while 29% of key management personnel are women. Other factors are clearly at play. **One quarter of businesses cite factors relating to business culture** as the main barrier to achieving gender equality. Unconscious bias also plays a significant role.

More needs to be done to accelerate the move toward gender equality in leadership. When asked about the barriers to achieving balance, the vast majority of businesses surveyed report internal factors.

Government can play a supporting role, but businesses can push forward by changing the culture in the workplace and offering more flexible working arrangements. Our survey found that 47% of businesses offer flexible working practices. Businesses also rank flexible working arrangements as the most effective tool available to build diversity.

This report finds gender diversity could be achieved by better understanding the financial benefits of investing in diversity, overcoming misconceptions and biases and creating an inclusive workplace.

**Deloitte Access Economics**

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7 WGEA data
New survey findings from this report

Benefits from diversity and inclusion

- Businesses expect the impact of increasing women in senior leadership will be positive: 65% of those surveyed expect a boost to productivity and staff engagement
- Almost half of business leaders surveyed consider gender diversity to be very or extremely important to business outcomes
- Just 13% of respondents think that increasing women in leadership will reduce promotion opportunities for men

Progress towards gender parity

- One in five organisations do not expect to reach gender parity in senior leadership teams within the next 5 years
- More smaller-sized businesses (20-199 employees) expect to reach parity within 5 years (77%) compared to bigger businesses (20,000+ employees at 61%)
- Businesses that have increased females in senior leadership over the last two years identified the CEO and senior executive as responsible for gender equality. Those businesses where the proportion of women in senior leadership had decreased often identified the human resources team as responsible

Barriers

- Over 40% of survey respondents cited a lack of female talent – in their organisation, industry, or the workforce – as the top barrier to achieving gender balance in senior leadership
- Only 5% of female respondents and 3% of male respondents identified family commitments as preventing women joining or staying in the workforce as the key barrier to achieving gender parity
- Less than half (44%) of businesses surveyed do not have a gender policy or gender strategy
- Of businesses that have a gender policy, less than two-thirds measure its performance or progress
- Only 12% of businesses have a dedicated budget to develop, maintain and execute their diversity and inclusion focus
- Only 6% of businesses have allocated staff time to develop, maintain and execute their diversity and inclusion focus

Policies promoting diversity and inclusion

- One third of businesses implement diversity and inclusion policies to improve business outcomes or reflect their customer base
- 31% of businesses offer diversity and inclusion training, with larger businesses (20,000+ employees) being more likely to do (47%) than smaller ones (17% of those with 20-199 employees)
- Nearly half (47%) of businesses surveyed offered flexible working arrangements
- Businesses rank flexible working arrangements as the most effective tool available to build diversity in senior leadership. And 15% of businesses surveyed rank this as number one
- Businesses in metropolitan areas are more likely to offer flexible working arrangements than regional businesses (50% and 36%, respectively)

This report

Diversity is a feature – and a strength – of Australian society. Our workplaces are beginning to reflect this. Yet it’s clear that there is still some way to go.

Westpac has engaged Deloitte Access Economics to produce a report to explore and measure the benefits of diversity, with a particular focus on gender diversity, on business outcomes and the Australian economy. It is based on primary research and data analysis, as well as a review of relevant literature. Specifically:

- a new, bespoke survey of over 1,000 Australian business leaders of medium and large organisations;
- econometric modelling of business performance using data on the performance of listed companies;
- new analysis of existing Deloitte survey data about inclusion;
- analysis of the Workplace Gender Equality Agency (WGEA) data from 2013-2016 on the performance of Australian businesses with more than 100 employees in terms of gender;
- insights from customised LinkedIn data; and
- computable general equilibrium (CGE) modelling using data from the OECD and other sources.

This is a well-evidenced debate. But the literature largely focuses on the workforce in general, or women in executive positions.

Leaders play a crucial role in how an organisation operates and performs. They are responsible for budgets, staff, clients and executing on the business’s strategy. Instead of being appointed by shareholders, they are selected by the business. Plus, the leaders of today are the C-suite and board members of tomorrow.

Ensuring that business leaders operate effectively is an imperative for business. The Westpac Businesses of Tomorrow study found that business leaders reaching their potential (in line with the best business leaders in the world) could result in a boost in GDP of around $70 billion (Deloitte Access Economics, 2016).

About the survey

This report includes insights from a new, bespoke survey of 1,054 business leaders from around Australia. The survey, fielded over September 2017, is intended to provide qualitative insights into what businesses think about gender diversity to supplement the modelling in the report.

It was completed by employees at manager level or above in businesses with 5 or more employees and is representative across states and all 18 industry groups.

The survey asked respondents 30 questions about their place of employment:

- the level of gender diversity in senior leadership (senior management roles and above);
- the current diversity policies and how that has changed over time;
- the importance of diversity to their organisation and themselves;
- barriers to achieving diversity; and
- their business outcomes.

More information about the survey can be found in Appendix C.
56% of businesses surveyed have a gender diversity policy or strategy in place.

Almost 1/2 of business leaders think that gender diversity is very or extremely important to achieving business outcomes.
1. Defining diversity

New insights:

- 56% of businesses have a gender diversity policy in place
- One third of businesses in our study have a gender balanced leadership, and of these, almost half (49%) consider gender diversity to be very or extremely important to business outcomes
- 21% of businesses without gender parity in leadership consider gender diversity to be not important to business outcomes
- 20% of male respondents reported that gender parity is 'not at all important' to business outcomes, compared to 13% of female respondents

Australia is a diverse country – home to approximately 24 million people with a range of characteristics – from gender, ethnicity and age to abilities, religious beliefs and values (see Figure 1.1).

This diversity is a strength. The Australian Human Rights Commission (2017a) recognises that "...diversity is one of our great strengths. It's central to our national identity".

As a reflection of an increasingly diverse population, there are more diverse workplaces. Businesses are beginning to realise that embracing diversity in a meaningful way makes good business sense and promotes a sense of fairness.

Our survey of businesses found that businesses have a range of diversity policies in place. More than half have a gender policy, more than half also have a cultural policy, 47% have a disability policy, and 40% have a policy in place regarding Indigenous Australians (see Figure 1.2).

Figure 1.1: The diversity of Australia’s population

- 2.8% identify as Aboriginal or Torres Strait Islander
- 18.3% have a disability
- 26.3% were born overseas
- 38.2% had a religion other than Christianity or no religion
- 50.7% identify as female

Source: ABS Census data (2016); ABS cat no. 4430.0 (2016)

Figure 1.2: Proportion of businesses with diversity policies in place

- 56% have a gender policy
- 52% have a policy around cultural or ethnic background
- 47% have a disability and accessibility policy
- 40% had a policy for Indigenous Australians and Torres Strait Islanders
- 37% had a policy around age groups
- 29% had a policy around LGBTIQ individuals

And businesses do this not just for social and ethical reasons, but also to boost business outcomes. The survey found that almost half of surveyed business leaders believe gender diversity is very or extremely important to business outcomes (see Chart 1.1). This is higher among businesses with gender equality in leadership (defined as having 40% to 60% women in roles senior manager and above) than those without that balance.

This differed across industries: mining and administrative services thought it was the most important, each with 59% of businesses reporting either ‘extremely’ or ‘very’ important, while construction and rental industries were least likely to consider gender diversity important to business outcomes (just 26% and 38% of businesses respectively reported it extremely or very important).

It also differed by gender of the respondent: 20% of men reported that gender diversity is not at all important to business outcomes, compared to 13% of women. This is not to say that men do not think gender diversity is important however, they are just less likely to consider that it drives business outcomes than women.

Effective management of workplace diversity is linked to improvements in organisational performance, effectiveness, profitability and revenue generation. But more needs to be done to ensure the benefits are realised for businesses.
1.1 Key definitions

Literature on workplace diversity uses a number of definitions. There are two key concepts – diversity and inclusion, shown below in Figure 1.3.

This report focuses on diversity and inclusion, both of which are necessary to drive high business performance. Together, diversity and inclusion ensure that workplaces reflect a broad range of views in decision making and business activities.

**Diversity** refers to the number or proportion of people in an organisation or group who identify with a range of characteristics. It can be defined as “the variety of differences between people in an organisation...diversity not only involves how people perceive themselves, but how they perceive others. Those perceptions affect their interactions.” (Greenberg, 2004).

**Inclusion** is the enabler of diversity. Beyond ensuring a level playing field for everyone, inclusion means that individuals feel encouraged, valued, and respected and that they are able to contribute their talents to drive organisational performance (Diversity Council of Australia, 2017). Put succinctly, “inclusion means that everyone matters” (Westpac, 2017).

We define inclusion to comprise both an active process of change (‘to include’) and an emotional outcome (‘to feel included’). Although feelings of inclusion clearly differ from person to person, our research finds that perceptions of fairness and respect and value and belonging are the two key indicators, and that they build upon each other sequentially and pave the way for experiences of psychological safety and inspired performance (Deloitte, 2013).

Similar definitions emerge in literature. Shore et al. (2011) define inclusion as treatment which satisfies an employee’s needs for ‘belongingness’ and ‘uniqueness’.

An employee who feels as though they belong and that their uniqueness is valued (i.e. their diversity) enjoys inclusion, while an employee who perceives the opposite on both counts feels excluded (ibid).

**Business performance** is significantly influenced by diversity and inclusion. When organisations are committed to diversity and individuals feel included, research demonstrates that business performance can increase by up to 80% (Deloitte, 2013). Organisations with more inclusive cultures are six times more likely to be innovative, six times more likely to be agile, three times more likely to be high performing, and twice as likely to meet or exceed financial targets (Bersin by Deloitte, 2017).

A number of outcomes can be considered when discussing equality in the workplace, for example equal pay, equal representation, and equal opportunity.

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Figure 1.3: Relationships between diversity, inclusion and performance

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8 Other definitions also incorporate similar values of belonging (Lirio et al., 2008), engagement and respect (Avery et al., 2008) and opportunity (Wasserman, Gallegos and Ferdman, 2008).
1.2 Who are the business leaders

There are many ways of defining leadership in a business context, see Chart 1.2. For example, the ABS focuses on CEO and Board Director positions, and managers who have a bachelor degree or higher and/or five years’ experience. LinkedIn has a ten-point scale reflecting job seniority – from entry level, to managers and directors, to business owners.

In our survey, two-thirds of businesses consider ‘leading a specific team/area of the organisation’ as the main characteristic of a leader, and 60% also considered that leaders have the authority to make strategic decisions (Chart 1.2).

In order to measure gender diversity at various leadership positions consistently across businesses, we use the WGEA definitions, available in Appendix A.
1.3 The policy landscape

The policy landscape continues to evolve with changing mindsets around diversity. Legislation at both the national and state level promotes equality and protects people from discrimination in Australia, including in the workplace. The *Sex Discrimination Act 1984* is the relevant law in terms of gender equality. It gives effect to provisions of the International Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), which was signed by Australia in 1980. The Act aims to prohibit discrimination on the basis of sex in the workplace, as well as more broadly in public life.

The Australian Human Rights Commission (AHRC) was established in 1986 by federal parliament as an independent organisation to ensure human rights of diverse individuals are valued and respected. The AHRC does this through resolving complaints of discrimination or breaches of human rights under federal laws and advocating for human rights (AHRC 2017b).

The *Workplace Gender Equality Act 2012* specifically targets equality for women and men in the workplace. It requires employers with 500 or more employees to have a formal policy or strategy in place that specifically supports gender equality (WGEA, 2017c). The Workplace Gender Equality Agency (WGEA) assists Australian businesses to comply with various reporting requirements under the *Workplace Gender Equality Act 2012*. Non-public sector employers with 100 or more employees must report annually against a set of gender indicators, which include the gender composition of the workforce and remuneration for men and women (WGEA, 2017a).

The WGEA also undertakes a range of functions to promote gender equality in Australian workplaces, such as providing educational tools and advice for businesses (WGEA, 2017d).
1 in 5 organisations do not expect to reach gender parity in their leadership teams in the next five years. Perceptions about when parity will be reached vary.

- 77% of medium businesses
- 61% of large businesses
- 72% of all male respondents
- 66% of all female respondents
2. Women in Australian business

New insights:

- One in five organisations do not expect to reach gender balanced leadership in the next 5 years, including 4% of businesses who do not ever expect to reach parity.
- Medium-sized businesses (20-199 employees) are more likely to think they will reach parity within 5 years than businesses with over 20,000 employees – 77% and 61% respectively expect to reach it.
- There is little correlation between an industry’s pay gap and the progression towards gender equality in leadership.
- 31% of men report that their business already has gender equality in leadership, compared with 23% of women.
- Just 28% of men report that it will take more than five years to reach leadership compared with 34% of women.

Women have been integral to the Australian workforce for a long time, with their role increasing as societal norms changed over time (Nugent, 2002).

However, despite the progress Australia has made since married women won the right to remain in the workforce, there is still room for improvement – particularly with respect to women in leadership positions. Women represent only 34% of senior managers in the Australian economy (WGEA, 2016a). Data from the WGEA also shows that male senior managers receive on average an additional $46,760 in pay compared to female senior managers – a difference of more than 15% (WGEA, 2017b).

A range of factors could contribute to the difference in outcomes. For example, women are more likely to work part-time, more likely to work in lower-paid industries, and are more likely to have taken a career break. Regardless of the reasons, it is clear that there remains a difference in labour force outcomes for women and men.

This chapter provides a snapshot of gender diversity in the Australian workforce, including how women are represented across industries, regions and businesses of different sizes over time.
2.1 Women in the workforce
The Australian workforce has changed dramatically over the past few decades. Labour force participation rates for men and women – that is, the proportion of the population either employed or actively looking for work – continue to converge, as shown in Chart 2.1. Today, 60% of Australian women aged 15 and over are either employed or looking for work, compared to 71% of men (ABS, 2017a).

Today, there are 6.1 million women employed in Australia – compared to 6.9 million men (ABS, 2017b).

However, terms of employment vary between genders. Women are far more commonly employed part-time compared to men, holding around two-thirds of all part-time positions in the workforce (ibid). Close to half (47%) of all positions held by women are part-time, compared to less than one in five (18%) of positions held by men (ibid).

Preferences play a large part in the overrepresentation of women in part-time roles. Many women choose or prefer to work part-time, to meet other responsibilities and commitments. But many would also prefer to work more hours, but do not have the opportunity to do so. More than one in every ten employed Australian women want to work more hours, compared to 6.7% of men (ibid). This suggests that women who work part-time are more likely to be underutilised in the workforce.

Chart 2.1: Trend labour force participation rate for males and females in Australia, 1978 to 2017

Source: ABS cat no. 6202.0 (2017)
2.2 Women in leadership

Although women hold around 47% of all employment positions in Australia (ibid), they are underrepresented in management roles. In fact, WGEA data shows that there are fewer women in management positions as seniority increases. While women represent 29% of key management personnel, they make up only 16% of Australian CEOs (ibid). Overall, only 34% of senior managerial positions are held by women (WGEA, 2016a).

The proportion of women in management roles has increased slowly over time. Between 2004 and 2015, the percentage of women in ASX leadership roles has increased by 4% (Diversity Council, 2015). Moreover, in 2013-14, women represented only 28% of key management personnel in businesses which report to the WGEA, compared to 30% in 2015-16 (WGEA, 2016a).

While more than half of appointments and promotions to manager-level positions were awarded to men in 2015-16, women are actually being appointed and promoted at a higher rate, as they represent a lesser proportion of managers overall (ibid).

Our survey of Australian businesses found that **one in five organisations do not expect to reach gender parity** in their **leadership teams in the next 5 years**. This includes 4% of businesses who do not ever expect to reach parity. This figure varies by industry – just under two-thirds (65%) of mining businesses do not expect to reach parity within five years, neither do 47% of agricultural businesses. By contrast, 92% of administrative services and arts and recreation businesses expect to reach (or have already reached) parity in leadership within five years.

The survey also shows that smaller businesses (with 20-199 employees) are more likely to reach balanced leadership than large businesses (with over 20,000 employees) – 23% and 39%, respectively, do not expect to have leadership balance within five years.

Female representation on governing bodies and in leadership teams is significantly lower compared to managerial positions as a whole. The Australian Institute of Company Directors found that progress towards their target of achieving 30% female representation on ASX200 boards has been slow; only 25.4% of board members were women at the end of August.

This is a significant improvement on 2009 however, when women held only 8.3% of board positions. Nevertheless, there are still 64 boards with only one female director, and a further 11 boards with no women at all (Australian Institute of Company Directors, 2017).

At the same time, women are underrepresented on executive leadership teams. Almost two-thirds of companies in the ASX200 have no women in line roles (those that directly drive key commercial outcomes) in their executive team. While many senior women on the executive leadership team are in functional roles – those which don’t typically lead to senior executive roles, such as human resources or corporate affairs (Chief Executive Women, 2017).

---

9 Parity is defined as having between 40% and 60% women in management positions.
2.3 The gender pay gap

Australia’s full-time gender pay gap was 15.3% in May 2017, and has varied between 15% and 19% for the past two decades, based on data from the ABS and the WGEA. This means that women earn, on average, $251 less per week than men – even assuming that both work full-time (WGEA, 2017b).

After additional bonuses and allowances are included, the full-time gender pay gap increases to 23%, equivalent to almost $27,000 per year (WGEA, 2017b). Even at the undergraduate level, the average female graduate earns 6.4% less than male graduates, and for postgraduate positions this difference increases to 18.9% (QILT, 2016).

This gender pay gap persists across industries, according to earnings data from the Australian Bureau of Statistics. It is lowest in Public Administration and Safety (5.9%), Other Services (8.7%) and Retail Trade (9.0%), in full-time base salary terms. It is highest in Financial and Insurance Services (29.6%), Professional, Scientific and Technical Services (24.3%) and Construction (23.3%) (WGEA, 2017b).

There is no clear correlation between those industries where women represent a higher proportion of the workforce and the gender pay gap (see Chart 2.2). For example, the gender pay gap in the health care and social assistance industry is 21.9% (ibid), despite women representing close to 80% of employees (ABS, 2017c).

Likewise, there is little correlation between an industry’s pay gap and the proportion of businesses in the industry planning to reach gender parity in management within five years.

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10 These figures do not take into account differences in seniority. They compare the average male wage with the average female wage.
This discrepancy has long lasting effects. The average man retires with $293,000 in superannuation, while for women that figure is $138,000, just half the male amount (AFSA, 2015). As a result, one-third of single retired women live below the poverty line, compared with 25% of single retired men (University of Melbourne, 2016).

The overall gender pay gap is linked to a number of factors, including industrial and occupational segregation. Female-dominated industries and occupations have traditionally attracted lower wages than those which are male-dominated. A lack of women in senior roles, as well as minimal availability of part-time or flexible senior positions, also contributes to the gender pay gap (WGEA, 2016b).

Discrimination is estimated to account for 38% of the gender pay gap, based on data from the Household Income and Labour Dynamics in Australia (HILDA) survey (KPMG, 2016). While causation is difficult to establish, these differences are clearly observed across all dimensions of employment in Australia.

2.4 International comparisons
Internationally, Australia is around the middle of the pack in terms of gender diversity. While comparisons can be difficult due to data availability and differences in measurement, current data shows that every OECD country has a gender pay gap (OECD, 2017). WGEA compared other key statistics and found (WGEA, 2016b):

- Australia’s pay gap is higher than most comparable countries, including the United Kingdom, the United States, Germany, New Zealand and Ireland. It is lower than the pay gap in Korea, Japan, Canada and Mexico.
- Female workforce participation is slightly higher than the OECD average, though lower than rates in the United Kingdom, New Zealand and Canada.
- Female representation on boards is low by OECD standards, though higher than in Spain, Japan and Ireland.
- Australia has the highest proportion of female managers of all employees compared to other countries analysed, even though there are significantly more male managers compared to female managers overall.
2.1 percentage point increase on average in profitability from gender parity in leadership
3. Gender diversity dividend

Gender diversity in the workplace has significant social benefits, including improved living standards, increased financial independence for women, improved mental health and a more equitable society (World Bank, 2012; Harvard Business School, 2015).

These benefits alone provide a strong rationale for supporting gender diversity. Gender diversity can also create less well-known improved outcomes for business.

According to the WGEA (2016c):

“A diverse and inclusive workforce regardless of size and industry generates tangible benefits, such as increased efficiency, productivity, innovation, creativity and improved employee engagement.”

This chapter examines the extent of these business benefits, incorporating both findings from the literature and new insights from a survey and matching the WGEA database with company financials.

### 3.1 Financial benefits

Most of the literature about the effect of gender diversity for business focuses on women at the executive level. These are women in the C-suite or on the board, strategic decision makers.

However, this report looks deeper – considering the impact of women in ‘senior management’, that is, women with job titles ‘senior manager’ and above. This provides a richer understanding of the effect that gender diversity has on a business – when women are helping to drive everyday business functions, not just at a high level.

New analysis for this report modelled the impact of increasing the proportion of women in senior positions on return on assets (ROA).

In an Australian first analysis, the modelling found a 1 percentage point increase in the proportion of women in ‘senior manager’ positions and above increases ROA by 0.07 percentage points the following year.

This means that increasing the representation of females in senior leadership to be equal to men would lead to a 2.1 percentage point increase in ROA for the average business.

When considering the average ROA for the dataset was 4.5%, this represents a substantial financial return for businesses. Table 3.1 below shows the effect that would have for different sized businesses.

<table>
<thead>
<tr>
<th>Size of business (assets)</th>
<th>Additional return in one year</th>
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<tr>
<td>$100,000</td>
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<td>$2 million</td>
<td>$42,000</td>
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<tr>
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<td>$210,000</td>
</tr>
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<td>$50 million</td>
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</table>

Source: Deloitte Access Economics calculations

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**New insights:**

- Increasing the representation of females in senior leadership to be equal to men would lead to a 2.1 percentage point increase in ROA for the average business.
- Businesses with gender balance in leadership scored better along a range of business metrics, including teamwork, sick leave, culture of equality, and active listening.
- Businesses expect the impact of increasing women in leadership to be positive: 65% expect a boost to productivity and staff engagement.
- Just 13% of respondents think that increasing women in leadership will reduce promotion opportunities for men.

---

11 These definitions are in line with the WGEA.
This 2.1 percentage point increase assumes that a business achieves parity in a single year. In practice, this may not be feasible for many businesses, who are more likely to see the proportion of women in senior leadership increase over a longer period of time; as such, these benefits may be more spread out.

Though there are likely to be ongoing benefits to diversity in leadership after parity is reached, these are not encapsulated in the modelling.

Of course, a 50% female leadership team may not be achievable immediately in every situation. Factors like female participation in the labour force, and representation in a given industry, could influence what a diverse leadership team looks like in practice.

This figure is calculated from data on 353 firms, controlling for business size, industry and previous ROA. It is based on the average female participation rate for business being 22.5%. So, for businesses with lower than average female representation, pay-off from achieving parity could be higher, and for those already near parity the effect would be smaller.

However, ROA is known to be variable, even within one business. It is also not applicable to all businesses, for instance, the public sector and partnership businesses do not report on ROA. This analysis focuses on companies that report to the WGEA, are publically listed and employ over 100 employees. Further information on this modelling is provided in Appendix A.

There is a wide body of literature internationally which examines the impact of women on boards, and more specifically on company financial performance. For example, an analysis of Fortune 500 companies in 2007 revealed that companies with a share of female board directors outperformed companies with all male board representation on three measures: return on equity, sales, and return on invested capital (Catalyst, 2007).

More recently, an examination of over 350 companies across Canada, the UK and the US found that companies in the top quartile for gender diversity in the executive team were 15% more likely to have above industry average financial returns than those in the bottom quartile (McKinsey, 2015).

Credit Suisse (2012) monitored companies over a six year period and found share performance was between 17% and 26% higher among companies with female board members than those with all male boards. A mega-study of close to 22,000 businesses from 91 countries in 2016 showed that businesses with at least 30% female leadership are 15% more profitable than other businesses (Noland et al., 2016).

Of course, many of these studies identify correlation only, and not causation. By contrast, Vafaei et al. (2015) control for firm-specific, ownership and governance characteristics, and still found gender diversity and financial performance to be closely aligned. From this they are able to say that diversity drives financial performance, rather than financial performance allows businesses to hire more women.

The analysis was completed using data from the WGEA on rates of females in senior leadership positions, and matching this to ROA data from IBISWorld and Capital IQ. Return on assets was selected as an appropriate measure of business success because it incorporates debt and equity assets. Therefore, it is more comprehensive than the usual measure of investment return, which is Return on Equity (ROE). ROA data was also more widely available, ensuring a large sample could be used in the analysis.
3.2 How does gender diversity lift business profits

Survey analysis of 1,054 Australian businesses for this report revealed a number of ways that gender diversity improves business operations. Businesses with gender balance in senior management reported higher levels of teamwork and culture, relative to businesses with fewer than 40% female managers:

- **Teamwork was rated as better** in firms with gender balance in management – by 2 percentage points on a five point scale;
- **Sick leave was 3.1 percentage points lower** in firms with gender equality in management – reducing the significant burden that absenteeism imposes on businesses, estimated at $3,600 annually (or 8% of payroll) for the average business (Direct Health Solutions, 2016);
- Firms with gender balance in management scored 2.9 percentage points higher in terms of having a culture of equality than other firms; and
- Gender balanced firms were more likely to report actively listening to opinions of stakeholders – by 1.9 percentage points.

Businesses with women in leadership roles have, amongst other things, better functioning boards, higher performing teams, higher staff engagement and are better equipped to serve customers. And, relative to exercises like large-scale investments in technology and organisational training, these benefits are relatively less costly to access.

But despite the financial benefits of a diverse workforce, 40% of businesses surveyed say that they have seen no change in the last two years in the number of senior female leaders in their organisation. Of these, 57% do not have a dedicated diversity policy.

The model used in this report to predict effect on ROA also identified that businesses with more women in these positions are more likely to have a range of policies in place which make them more appealing as a workplace.

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Chart 3.1: Attitudes towards impact of increasing women in leadership

Businesses with a higher proportion of women in leadership offered 13% more flexibility, measured by the existence of policies including flexible working arrangements, paid parental leave, access to childcare and domestic violence support services. Of course, it is possible that other factors, such as business purpose, drive both flexibility and women in leadership.

Our survey shows that businesses are positive about the impact that having more women in leadership would bring, along a range of dimensions. Almost two-thirds (65%) of businesses expect that having women in leadership will have a positive impact on profitability and 65% think it will improve staff engagement. Even when it comes to promotion opportunities for men, just 13% of respondents expect that putting women in leadership will have a negative impact.

Literature has also identified a range of ways that gender diversity benefits businesses. A 2015 meta-analysis of 140 different gender studies found that female board representation is positively related to both accounting returns, and board performance (Post and Byron, 2015). Gender diverse boards are better at monitoring and strategy involvement (the two main roles of a board).

Beyond boards, international research has found that diversity improves the performance of teams at all levels in an organisation. Having team members from diverse backgrounds brings different skills and knowledge to the team. These skills and knowledge mean that collective intelligence is higher than it would be if the team was made up of individually smart members from similar backgrounds (Page, 2007 and Bourke, 2016).

Deloitte has previously estimated found that employees are 80% more likely to consider their organisation high performing if the business is diverse and inclusive than if it is neither (Deloitte, 2013). In essence, diverse workplaces are increasingly being seen as more innovative and productive than homogenous groups, and this has a positive impact on team quality and performance.

Diversity can also help with other key business outcomes such as staff engagement and customer service. Kaplan et al. (2011) found that employees are more likely to remain at a diverse workplace because they see value and a concrete payoff for themselves in working at a business they perceive as ‘fair’.

And in 2012, the Committee for Economic Development suggested that employing a greater proportion of female managers would enable businesses to be better positioned to serve consumer markets dominated by women (CEDA, 2012).

There are no doubt additional ways in which diversity flows through to business performance, but it is clear that diversity is beneficial for businesses in many of their operations.
Qantas considers gender diversity in its workforce and leadership positions as being important at every level.

For Qantas, diversity and inclusivity isn’t just another policy. Instead it is part of every policy – from recruitment to promotion to the company’s standards. It is integrated into everything Qantas does and how it operates to prevent these integral concepts becoming an afterthought.

The case for diversity is very clearly defined at Qantas – it’s not only the right thing to do, but also improves business outcomes.

In fact, Qantas Group CEO, Alan Joyce, has credited the organisation’s inclusive culture as helping him, as well as the company, through hard times; “...diversity generated better strategy, better risk management, better debates [and] better outcomes”. The Qantas diversity and inclusion statement revolves around 3 pillars – creating a diverse and inclusive culture, gender, and a Reconciliation Action Plan.

And Qantas is ahead of the curve when it comes to diversity, already reaching its target of having 35% women in senior leadership positions a year in advance of its 2018 target.

Understanding its workforce and setting up collaborative change management involving staff members also contributed to Qantas achieving its 2018 target. The Diversity and Inclusion team has found that clear communication about the benefits and mechanisms of achieving diversity led to greater success at achieving the organisation’s goals of gender diversity in leadership positions.

Some of the key learnings for Qantas, to date, are about understanding the workforce, setting realistic targets and communicating well. Despite the temptation to set targets in isolation for representation or recruitment, for example, Qantas found it more successful to first develop a holistic picture of the organisation. This was done by understanding the composition of the workforce and the key points at which this can change, such as recruitment, promotions and retention.

The importance of involving staff, and having a deliberative change management approach to ensure that diversity and inclusion initiatives are well communicated and broadly supported also became apparent.

For Qantas, diversity and inclusion isn’t just a characteristic of the workforce. It’s also a skillset which all employees – and in particular leaders – need to develop. Throughout 2016-17, senior leaders attended a two day leadership program and prior to attending, each leader was required to complete a ‘mitigating bias’ program.

This shifted the focus from just being about diversity in leadership, to inclusivity being an important characteristic of leaders.

Rather than just acknowledging the role of biases in decision making, Qantas’ training provides practical decision support tools to help leaders not just identify their biases, but mitigate against them.
Retention

41% less likely to consider leaving

Customer engagement

0.8% more female followers for an increase in women in leadership

Inspired staff

20% more likely to be inspired to do their best

Inclusion supports business benefits
Achieving gender balance on paper is only the first step. The benefits of diversity can only be fully realised when an organisation is also inclusive. That is, when there is a level playing field and the opinions and views of all members of the group are encouraged, valued and respected. Inclusive businesses are able to:

- retain staff and unlock their employees’ innovative potential;
- better meet the needs of customers and clients; and
- demonstrate strong business performance.

Beyond a ‘tick the box’ approach, inclusion requires genuinely embracing women as valuable contributors in the workplace.

While diversity has been on the agenda for decades, researchers have only recently turned their focus to the concept of inclusion. Definitions vary across the board, but some common themes emerge from the literature and our previous research.

Inclusion means adaptation, not just tokenism, assimilation and tolerance of those who are different from the norm. In an inclusive workplace, it is not just about seeing diversity in demographics across the office: businesses gain value from diversity of thought (Deloitte, 2013).

This chapter explores how inclusion delivers results for businesses and for women. Many businesses recognise the importance of diversity and inclusion. Less than one in five surveyed businesses believe it is not important for business outcomes. And a third of businesses implement diversity and inclusion policies to improve business outcomes or reflect their customer base.

This chapter will later look at diversity and inclusion policies, which was nominated as one of the most effective tools for reaching gender parity by surveyed businesses.

### New insights:

- 31% of businesses offer diversity and inclusion training, with larger businesses being more likely to do so than smaller ones (47% of businesses with more than 20,000 employees offer training compared to 17% of businesses with between 20 and 199 employees)
- Employees who felt included at work were 41% less likely to consider leaving their jobs
- Employees who feel included are 20 percentage points more likely to be inspired to do their best at work than those who feel excluded at work
- Diversity is good for customer engagement: a 1% increase in women in leadership is associated with a 0.8% increase in the proportion of female followers a business has on LinkedIn
- Businesses with more female employees are more likely to be above industry average in terms of number of followers

4.1 Gender diversity and inclusion

We’ve defined inclusion broadly – but what does it look like with respect to gender?

An inclusive workplace means that beyond being represented at the table, women are encouraged to share their views, and that these thoughts are valued and given equal consideration.

In practice, inclusion can be hard to measure and assess in an individual business – let alone on a national scale. Yet evidence suggests there is room for improvement. Just 31% of surveyed businesses offer diversity and inclusion training, and it appears to be significantly correlated with business size.
As Chart 4.1 shows, the larger the businesses, the more likely it is that diversity and inclusion training is conducted.

Research shows that women are interrupted significantly more in conversation compared to men. One study found that when men spoke to women, they interrupted 33% more often than their conversations with other men (Hancock and Rubin, 2015). At the same time, women are criticised for talking too much. The Australian Institute of Company Directors wrote to chairs of ASX200 companies with only one or no women on their boards, asking why this was the case. Responses reportedly included that ‘women talk too much and make the board meeting too long’ and that ‘women aren’t reliable enough to be long-term board members’ (Korporaal, 2016).

The treatment of women in these cases and in others supports the conclusion that there are clearly instances where workplaces could be more inclusive. This lack of inclusion means that the benefits of diversity are not being fully realised. Rebalancing measures such as quotas may be masking cultural obstacles too (Credit Suisse, 2016).

The lack of inclusion can have a flow-on effect for organisational performance – Low, Roberts and Whiting (2015) conclude that a gender diverse board may not enhance performance if women are seen as ‘tokens’ and therefore lack the power to have their ideas adopted.

Taken one step further, women operating in environments of exclusion may not challenge unsound decisions.

4.2 Benefits of inclusion
Deloitte found in 2013 that employees report better performance in business outcomes when women feel included and their employer is committed to diversity. The improved business outcomes include ability of the business to innovate, collaborate and respond to changing customer needs.

Where employees perceived an organisation to be supportive of diversity but not inclusive, business performance was reported to be 31 percentage points lower (Deloitte, 2013). ‘Rebalancing the focus on diversity with inclusion… will enable organisations to unleash their diversity potential’ (ibid). Deloitte’s recent Women on Boards report confirmed this effectiveness locally in Queensland (Deloitte, 2016a).

The main benefits of inclusion are summarised in the following sections.
4.2.1 Creating the right environment

Inclusivity creates the right environment for strong employee performance and engagement. As Miller and Katz (2002) point out, ‘people can bring far more of themselves to their jobs because they are required to suppress far less.’ This energy can then be devoted to the organisation, rather than to a goal which has the effect of mitigating diversity.

Fostering an inclusive environment also has other benefits. Studies show that employees are more satisfied with their jobs, more engaged and are less likely to leave the company when their organisation is inclusive. Avery et al. (2008) found that employees’ perceived inclusiveness linked positively to their intention to remain with their organisation.12

Using bespoke data from a survey of over 1,500 employees across 18 organisations with diverse workforces, Deloitte (2013) assessed the impact of diversity and inclusion on a range of employee engagement measures. As shown in Chart 4.2, employees who feel included were 41% less likely to consider leaving.

Previous research suggests businesses can save significant amounts of money by reducing turnover. For example, a Deloitte analysis from 2013, The Connected Workplace, found that reducing turnover by just 1.8 percentage points could reduce annual turnover costs for recruitment and training by $350,000 for the average business with 500 employees.

The effect of inclusion on recruitment is potentially significant. Deloitte Access Economics estimated that Australian businesses spend $7 billion annually on recruitment (Deloitte Access Economics, 2017; Masud, 2012).

4.2.2 Unleashing creativity and innovation

By harnessing both diversity and inclusion, businesses can help teams reach more than the sum of their parts. Deloitte’s inclusion survey data shows that employees who feel included are 20 percentage points more likely to be inspired to do their best at work than those who feel excluded at work.

Page (2007) provides evidence that diversity improves performance in problem solving and predictive-style tasks – which Deloitte (2011) suggests may result from the avoidance of ‘groupthink’. Amabile and Khaire (2008) also found that creativity is enhanced when individuals have multiple social identities (e.g. people who are female and Asian).

Linking this evidence to inclusion, Levine and Moreland (2004) found that creativity is enhanced where diverse groups collaborate. Meanwhile, the Center for Talent Innovation found that employees with inclusive managers are ‘1.3 times more likely to feel that their innovative potential is unlocked’ (Sherbin and Rashid, 2017).

Innovation is clearly important for business outcomes. The Office of the Chief Economist estimated in 2016 that Australian businesses earned $60 billion in revenue from the sale of innovative goods and services (Office of the Chief Economist, 2016).

The report also found that the ‘positive impacts of innovation on performance get stronger the more regularly businesses innovate’.

Clearly, it’s vital that employees feel empowered to share their ideas.

Previous research suggests that the connection between inclusivity and job satisfaction influences turnover intentions.

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12 Research by Mor Barak et al. (2006) also suggests that the connection between inclusivity and job satisfaction influences turnover intentions.
4.2.3 Customer and community engagement

Demographics are changing across the world. With increasing globalisation, it’s now more important than ever to reach out to new markets with personalised and suitable products (Deloitte, 2016b).

Inclusion can assist organisations to better connect with customers by facilitating access to a more diverse spectrum of ideas. Bourke (2016) identifies curiosity as key in this process, as curious individuals will connect with diverse individuals, facilitating greater customer insight and the exchange of ideas.

Promoting women to leadership positions can help businesses better connect with the female market, widening their customer base.

Fresh analysis of over 100 business profiles on LinkedIn shows that businesses with more women in leadership have, on average, more female followers than businesses predominantly run by males. Businesses with between 40% and 60% of senior positions filled by women, on average, have 42% female followers. Unbalanced businesses have 30% female followers.

Chart 4.3 shows that businesses with a balanced workforce are 34% (or 12 percentage points) more likely to have followers above the industry average.

Surveys also show the importance of inclusion in improving customer and community engagement. Where employees work for organisations which are perceived to be both diverse and inclusive, they reported better business performance in terms of responsiveness to changing customer needs. A 31% uplift in performance compared to organisations which are not diverse or inclusive, and a 15% uplift compared to diverse, but not inclusive, organisations (Deloitte, 2013).

In addition, another survey found that one in two customers who identify as LGBTIQ or who practice a noticeable faith say their buying choices are positively influenced by a business’s reputation as supportive of broad diversity (Deloitte, 2017).

Similarly, the Center for Talent Innovation (2013) finds that ‘diverse individuals are better attuned to the unmet needs of consumers or clients like themselves’.

![Chart 4.3: Proportion of businesses who outperform their industry benchmark number of LinkedIn followers](source: LinkedIn custom data (2017), extracted for the Westpac Diversity Dividend Report)
Reaching gender parity in leadership would support additional labour force participation worth $10.8bn annually to the Australian economy.
5. Economic dividend of diversity

New insights:
- Achieving gender parity at the manager level and above could boost GDP by $10.8 billion annually
- Nearly half (47%) of survey respondents had flexible working arrangements available in their place of employment
- 15% of businesses rank flexible working as the most effective tool available to build diversity in leadership
- Businesses in metropolitan areas are more likely to offer flexible working arrangements than regional businesses (50% and 36% of businesses offer them respectively)

In addition to the benefits for individual businesses, this study also found having more women in leadership would support broader flow-on benefits to our economy and society.

Having more women in leadership positions could encourage more people to join the workforce, thus increasing participation rates. Participation is one of the ‘three Ps’ critical to long-term economic growth. The other two P’s are productivity and population.

First, having more women in leadership can change perceptions about female competency and skills, as well as providing role models for other women. Our modelling finds that having 1% more female senior managers is associated with a 0.1% increase in women in the workforce in the following year.

If gender parity was achieved at manager level and above, the increased female participation would add $1.7 billion to gross domestic product (GDP) the economy annually.

Women in leadership can also support more flexible working policies. The ability to work more flexibly would support part-time workers and those not in the labour force to work 5.8 billion additional hours per year.

If the average Australian business were to reach parity in senior management, this would be associated with a 13% increase in flexibility across the economy. This would support additional labour force participation worth $9.1 billion annually.

Of course, it could be that other factors, such as business purpose, drive both women in leadership and work flexibility. For this reason we have taken a conservative approach, and have focused solely on the value of being able to work from home. These figures are just to indicate the size of the opportunity, rather than provide a definitive number.

It is also important to note that it would take time to unlock these benefits – especially considering that one in five businesses does not expect to have reached parity in leadership within five years.

In total, the additional $1.7 billion caused by increased female participation and the $9.1 billion benefit derived from flexible working arrangements both resulting from increased female leadership could lead total economic benefit of $10.8 billion.

The relationship between these factors can be complex. For example, it could be that female participation supports more women in leadership in the same way that more women in leadership supports greater female participation in the workforce. But these estimates provide a clear indication that having more women in leadership is associated with better economic outcomes.

13 Parity may mean different things in different industries and businesses. Factors like female participation in the labour force, and representation in a specific industry could affect the achievement of parity.
5.1 How diversity contributes to economic outcomes

Economists commonly describe three ways to increase economic growth – increasing the population, increasing workforce participation, and increasing productivity.

Women make up half of the Australian population according to the latest Census (ABS, 2016). Yet female participation rates in the labour force, currently almost 60%, still lag behind the male participation rate of 70% (ABS, 2017a). If the female rate was equivalent to the male rate, this would lead to over 1 million more people participating in the market economy.

This gap represents an underutilised resource that can be used by the economy to improve living standards. The OECD (2012) found a correlation between increasing female participation rates in an economy and faster economic growth. This is because increasing female participation counters ageing populations that leads to overall decreases in participation rates. The Australian Government has highlighted this dynamic in several intergenerational reports (Treasury, 2015).

Other research estimates that if the female participation rate was identical to men internationally, an additional $28 trillion, representing a quarter of global GDP, could be added to the global economy by 2025 (McKinsey & Company, 2015). That’s roughly the combined size of the economies of the United States and China.

Specifically for Australia, the Grattan Institute (2012) has found that increasing the participation of women by 6% would increase GDP by 1% or $25 billion.

Many of the business benefits of diversity – including more innovation and better decision making – mean more women in leadership could support improved productivity.

We focus on two mechanisms through which having more women in leadership could support greater workforce participation and productivity. These two mechanisms are role models and flexible work arrangements.
5.1.1 Female leaders as role models

Over 40% of survey respondents cited the availability of female talent as the top barrier to achieving gender parity in senior leadership in their organisation, industry, or workforce. A controlled experiment in which "managers" hired people to complete mathematical tasks, found that both men and women were 1.5 times more likely to hire men despite equivalent skills (Reuben, 2013). It means women attaining more tertiary qualifications than males will not necessarily close the gender parity gap.

Increasing gender diversity in leadership positions offers a role model to dispel the misconception of lack of skills around women. Analysis of OECD data finds that having 1% more female managers is associated with a 0.1% increase in women in the workforce in the following year. If gender parity was achieved in business leadership positions, the increase in female participation rates would be worth an additional $1.7 billion to the economy annually.

This idea of female role models leading to higher female participation rates is supported in academic literature as well (Matsa and Miller, 2011). A study undertaken by Sealy (2008) showed that organisations with women in senior positions gained legitimacy amongst prospective and current female employees. Other benefits of the presence of women in corporate board positions include positive impacts on the retention and pay of female staff, and the number of female staff holding line jobs (Billimoria, 2006).

There is a possibility that low female participation rates lead to lower gender diversity in senior leadership positions. Econometric modelling using data from 22 countries over 2001-2010 found that female participation rates did influence gender diversity of leadership (Adams and Kirchmaier, 2013). This, alongside of our modelling and supporting literature suggests there is likely to be a two-way relationship between female participation rates and gender diversity of leadership positions.
Nearly half (47%) of survey respondents had flexible working arrangements available in their place of employment, as shown in Chart 5.1. This is similar to ABS statistics on flexible work hours, which reported that 48% of employees have flexible work hours (ABS, 2017). In line with ABS reporting, our survey showed that smaller businesses were less likely to offer flexible working arrangements than larger ones. Almost two-thirds (64%) of businesses with more than 20,000 employees offer work flexibility, while just 39% of medium businesses do (see Chart 5.2).
Studies shows that workplaces without these flexible working arrangements have employees with increased physical and psychological stress, decreased job satisfaction and reduced performance at work (Stamarski and Hing, 2015). While most requests for flexible working arrangements are made by mothers returning from maternity leave, there are a number of men who also benefit (Cooper and Baird, 2014).

This survey showed that metropolitan businesses were more likely to offer flexible working arrangements than regional businesses, possibly because of the type of work completed in the respective areas. Finance and insurance businesses were more likely to offer flexibility (62% of businesses), and these businesses are concentrated in metropolitan areas.

By contrast, agricultural businesses, concentrated in regional areas were less likely to offer workplace flexibility. Chart 5.3 also shows that the ACT and South Australia are leading the nation in terms of workplace flexibility, with 70% and 57% of businesses offering flexible arrangements, respectively. The differences across jurisdictions are likely to be a result of the different industry profiles across states and territories.
Increased women in leadership can support more flexible working policies in a business. Using WGEA data we find that if all Australian businesses were to achieve gender parity in leadership, there would be a 13 percentage point increase in the availability of flexible work policies. This could be associated with an additional $9.1 billion to the economy annually. Appendix B describes how this estimate was derived. This estimate is additive to the estimated $1.7 billion increase in GDP that would come from increased female participation in the labour force.

Female leaders supporting flexible working arrangements is supported by Cooper and Baird (2014). They found that access to flexible working arrangements was limited by multiple policy layers in a business. This highlights the role of line managers in framing policies and translating them to workplace practices.

Our survey showed that flexible working arrangements were the most common top ranked policy to support increased diversity and inclusion in the workplace (see Chart 5.4).

Men and women are fairly well aligned on what works, although men are twice as likely to rank a ‘stated commitment from organisation leadership’ as the most effective way to promote diversity in leadership, and are also slightly more likely to consider a formal diversity policy effective. Female responses are more concentrated in practical options such as flexibility, development programs and diversity training.

This is supported by other research which reports that employees working in more flexible roles are more productive than employees working under traditional arrangements. A randomised control trial using employees at Fortune 500 companies found that employees under flexible arrangements reported higher job satisfaction, were less burned out and less stressed (Moen et al. 2016).

Chart 5.4: Most effective policies to increase diversity and inclusion, by respondent gender

5.2 Social benefits of increased diversity

In addition to economic and business benefits, there are also many social benefits to increased female representation in senior leadership. Economic independence is an enabler. Both genders can exercise greater control over their lives and make genuine choices, improving the quality of life for themselves and their families.

The role model effect, increasing female participation in the workplace, means that more women and their families will benefit from undertaking work. At an individual level, this includes additional financial security for women and their families by way of higher lifetime earnings, and increased savings for retirement (WGEA, 2014).

The economic independence that employment provides can also assist women’s decisions to leave violent relationships, meaning that female participation in the workforce can also bring safety for individual women and their families (World Bank, 2012).

There are also social, health and wellbeing benefits of work to be gained for women and their families. International comparisons using data from the international social survey program found that women whose mothers worked outside the home are:

- more likely to have jobs themselves;
- more likely to hold supervisory responsibility at those jobs; and
- earn higher wages than women whose mothers stayed home full time.

Also, men raised by working mothers are more likely to contribute to household chores and spend more time caring for family members (Harvard Business School, 2015).
Telstra

As Australia’s largest telecommunications company, Telstra operates in an industry traditionally filled with males in engineering and technical roles. Their new business imperative, however, is to change this. According to Lynne Barry, Global Head of Learning and Development, Telstra is deeply committed to ensuring a balanced gender representation, retaining more women in leadership roles, and building the female talent pipeline. She explains “strong technical and engineering skills are very important in our business – but we recognise the need to bring in a broader range of skills, experiences and beliefs to elevate Telstra’s leadership competence and build change capabilities.”

Gender diversity – and diversity more broadly – has always been a priority for Telstra. According to Barry, “diversity and inclusivity does not need a business case – it is core to our business purpose, which is to create a brilliantly connected future for everyone. We cannot achieve this unless we breathe and live our commitment to gender equality and inclusivity in our everyday actions”.

In part because of this unwavering commitment, Telstra is on track to meet its target of having a 40% female Executive Management team by 2020. "This is not tokenistic achievement – this change is a deliberate and strategic decision because we think a diverse leadership team fosters innovation, stronger problem solving capabilities, increased morale and better business outcomes." Lynne clarifies, "as Telstra transitions from a telecommunication to a technology firm, these new leadership capabilities will inject diversity of thought, values and leadership styles into our organisation – this will be key in navigating change".

A commitment to diversity and inclusion is driven from the top – down at Telstra. "All employees are encouraged to get involved as active champions of gender equality and inclusivity and to cheer women to take on leadership roles”. Telstra’s CEO, Andy Penn, is a male Champion of Change, as was his predecessor, David Thodey. Together, they have been the drivers behind many inclusivity policies, such as its work flexibility scheme, All Roles Flex and Global Recruitment Equality Procedure.

All Roles Flex makes flexibility and mobility the starting point of work in every role in Telstra. According to Lynne, the key to the success of this program has been “flipping the concept of flexibility… Every line manager must prove why a role cannot be done flexibly before they can refuse a flexibility request”. Engagement levels of our people who are accessing flexibility continue to be higher than those who don’t (3%) and we know that in our 2016 Employee Engagement Survey 82% of people said they have access to the flexibility they need. Even at a junior level, Telstra is growing female representation through the implementation of a Global Recruitment Equality Procedure, which requires a minimum of 50% female representation on recruitment shortlists and interview lists. “Even though graduates represent a small drop in a global workforce of more than 30,000 people, this is an important change”. Since implementing the policy, Barry said, "women on shortlists has increased by just over 10% and women commencements, by over 6%”.

For Telstra though, “the conversation on diversity is broader then gender”. Barry explains that diversity and inclusion spans all cross-sections of life – including age, gender, races, disabilities and sexual orientation. “With more than 30,000 people in more than 23 countries, we celebrate diverse backgrounds and are committed to people of varying skills and talents.”
2/3 of those with a policy measure or report on progress

41% of businesses who have increased the representation of women in senior management say the CEO is responsible

40% say a lack of talent is a barrier

1/4 say that this is a barrier

More likely to think that difficulties changing the status quo are a bigger barrier

More likely to think lack of talent is the biggest barrier to achieving balance in leadership
Evidence suggests that gender diversity in leadership leads to better results for businesses, as well as an economic dividend. But only 36% of managers in Australia are female (ABS, 2017a) – and even fewer hold senior leadership positions in Australia’s largest companies (WGEA, 2016a; Chief Executive Women, 2017).

What is preventing Australian businesses from accessing the benefits of diversity in leadership? Based on our survey of Australian businesses and desktop research, we identify four key factors:

- perceptions around the availability of female talent;
- organisational culture and commitment;
- conscious and unconscious bias; and
- broader issues facing women in the workforce.
Chart 6.1 shows the most important barriers to achieving gender parity in leadership, based on first-ranked responses in the survey, and split by gender of the respondent. A lack of female talent was identified as the key barrier facing Australian businesses by both genders. However, almost double the amount of men identified a lack of female talent in the industry or workforce compared to female respondents.

Respondents also identified a number of other secondary factors not shown on the chart. These factors include a lack of training on diversity issues, the support of existing leaders, and a lack of accountability and data supporting gender diversity.

Chart 6.1: Key barriers to achieving gender parity in leadership, as identified by Australian businesses

6.1 Availability of female talent

Survey respondents cited the availability of female talent as the most common barrier to achieving gender parity in senior leadership, as shown in Chart 6.1. Overall, **two in every five Australian businesses identified a lack of female talent** in their organisation, their industry or the workforce as the key barrier to gender parity in leadership. Smaller businesses are more likely to cite a lack of talent as the top barrier than larger businesses (see Chart 6.2).

Evidence suggests that, despite the fact that this view is widely held, it is misplaced. Women are highly skilled. They represent around 60% of domestic university graduates in Australia (Department of Education and Training, 2017), and working Australian women are, on average, more highly qualified than male workers (ABS, 2016b). Women are represented across every occupation and industry across Australia, and hold senior positions within businesses small and large. **Overall, there are 550,600 female managers working in Australia** (ABS, 2017a).

Rather than a lack of available female talent, the more pressing issue is the lack of female talent in the pipeline. Women just aren’t progressing through their careers in order to reach senior leadership positions. Whether that be due to career breaks, maternity leave, part-time work, performance models or discrimination. The proportion of women in managerial positions clearly decreases as seniority increases (WGEA, 2016a).

This lack of female talent in the pipeline is not because women do not possess the ability or the ambition. The literature suggests that women are as ambitious as men (McKinsey, 2013b). Indeed, research shows females are more proficient in traditionally male-dominated functions (Zenger and Folkman, 2012). The barriers to career progression go to the heart of the issue, and are examined in more detail in subsequent sections.

Given that the primary barrier identified is a misconception, Australia clearly has some work to do. However, by addressing this information gap, many more businesses will be able to benefit from diversity.

**Chart 6.2: Proportion of businesses citing a lack of female talent in the workforce as the top barrier to gender equality in leadership**

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>Lack of Female Talent</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000,001 or more</td>
<td>19%</td>
</tr>
<tr>
<td>$1,000,001 to less than $10,000,000</td>
<td>23%</td>
</tr>
<tr>
<td>$100,001 to less than $1,000,000</td>
<td>24%</td>
</tr>
<tr>
<td>$50,001 to less than $100,000</td>
<td>44%</td>
</tr>
<tr>
<td>$10,001 to less than $50,000</td>
<td>59%</td>
</tr>
</tbody>
</table>

6.2 Organisational culture and the commitment of senior leadership

The existing organisational culture or status quo was the next most common barrier identified by our survey respondents. However, a number of the barriers in Chart 6.1 can be attributed to workplace culture. For example, from a resistance to change within a team to the perception that policies are difficult to implement or unsuccessful. All in all, around a quarter of organisations cited cultural factors as the primary barrier to achieving gender parity in senior leadership.

Organisational culture is hard to change and happens slowly over time. Some of the barriers to changing organisational culture may include a lack of gender policy or strategy, a lack of accountability under that strategy, and a lack of resourcing to effectively action initiatives. Our survey found that 44% of businesses don’t have a gender policy or strategy, only 12% of businesses have dedicated budget to develop, maintain and execute their diversity and inclusion focus. And just 6% of businesses have allocated staff time.

Commitment to gender diversity starts at the top – and this is where current senior leaders are important. Our survey found that businesses have increased female representation in senior leadership over the last two years were more likely to identify the CEO and senior executive as being responsible for gender equality. Those where the proportion of women had decreased identified the human resources team as responsible, as shown in Chart 6.3.

There was little variation in response to this question between male and female respondents. Similarly, regardless of the size and location of the business – most respondents believe that the Board and the CEO are responsible for gender equality.

Our survey shows that having policies, strategies, processes and programs in place can increase gender diversity. The literature supports this, highlighting the significance of senior leaders’ commitment to achieving gender diversity and positive inclusion outcomes, by actively supporting and contributing to the promotion of women to senior positions (McKinsey, 2007; Human Rights Commission, 2011).

The commitment of senior leadership can’t be an empty-handed gesture. Gender equality must be treated as a priority, with a plan of action and clear accountability (Deloitte, 2016a). This sort of behaviour can then spread to employees, helping to foster the necessary organisational culture for the progression of women to senior leadership positions.
6.3 Conscious and unconscious bias

When considering the lack of female talent in the pipeline, perhaps one of the core problems is that we search to recruit employees that mirror existing leaders. But existing leaders are overwhelmingly male.

Gender stereotypes can limit the career progression of women. As Riordan (2014) identifies, ‘people gravitate toward people like them’. This gravitation limits the perceived pool of eligible leaders for senior positions, perpetuating a ‘similarity bias’. Indeed, 4% of respondents in our survey identified the nature of their industry as the key barrier to achieving gender parity in leadership. This suggests that perceptions of existing leaders are influencing who we see as future leaders.

On a similar note, bias and stereotyping can also lead to women being excluded even where they do reach senior leadership positions. If women feel bound to conform to existing gender norms, or are effectively excluded from decision-making processes, businesses will not enjoy the benefits of women being present in the room. Both diversity and inclusion are necessary to genuinely embrace women as valuable contributors in the workplace.

6.4 Broader issues facing women in the workforce

Many of the issues which generally affect women in the workforce also limit their progression to senior leadership. In our survey, only 5% of female respondents and 3% of male respondents identified family commitments as a key barrier to preventing gender parity. Family commitments mean women might not join or stay in the workforce. However, even where family responsibilities do not affect women’s participation in the workforce, they can still influence their career progression.

In medium sized businesses, only 2% of businesses identified hours of work required as their key barrier to achieving gender parity in leadership. Yet only 6% of all managers are employed part-time in Australia (WGEA, 2016a). This suggests that a lack of flexibility and part-time opportunities may be limiting women in progressing to senior leadership roles, given that women are far more likely to work part-time compared to men (ABS, 2017b).

McKinsey identify another troubling factor. Many men don’t recognise the challenges women face at all. In McKinsey’s survey, only 58% of men thought that women with equal skills face greater challenges in reaching senior leadership, compared to 93% of women (McKinsey, 2013b). This suggests that there is still work to be done in terms of gaining male support and understanding of the broader challenges facing women in the workplace.
Today, almost 60% of women are part of the workforce, compared to just 43% forty years ago. Women are also increasingly represented in leadership positions. Today, just over one-quarter of ASX200 board members are women, compared to 8% in 2009, and 34% of managers are women. It’s a trend in the right direction.

Clearly, however, Australia has a way to go to reach gender balance at leadership levels. There are very good reasons to exert effort to achieve parity. This report finds, when combined with a culture of inclusion, there are significant business dividends from improving gender diversity in leadership. The business benefits include delivering greater return on assets and lifting other key metrics, such as staff retention and better teamwork.

And the value does not just sit with organisations. The Australian economy stands to gain a $10.8 billion boost to GDP. This is a substantial economic benefit from the increase in labour force participation.

To realise these outcomes proactive effort is required. Change will not occur of its own accord. Australian organisations need to lean in and make it happen.

Hearteningly, business leaders seem ready to step up, with half already recognising that gender diversity is very or extremely important to business outcomes. Part of their role in effecting broader change is to be more vocal about the need for gender equality to those who still hold doubts about the effort to reward ratio.

But then more than speaking up, it is to take some of the learnings from this report and apply them in practice.

For those who want practical advice about how to take the next steps, following the example of businesses profiled in this report are a good place to start. Having a gender policy, measuring against it, and establishing development/mentoring programs are all ways to enable diversity.

Perhaps two of the most effective tools are amending the promotion process and encouraging workplace flexibility. Ensuring that the list of candidates for every job vacancy is gender balanced will help to overcome the misconception that female talent is unavailable and promote women through organisations. Offering flexibility in all roles, including allowing people to work from anywhere and the hours that suit them will assist women (and men) to manage family and work commitments.

Diversity is just the first step. Ensuring employees feel included is equally important for businesses. Ensuring transparency in the promotion process can help to build an inclusive culture by ensuring employees feel fairly treated. Similarly, training managers to ensure they do not simply recruit people who are similar to themselves, will also assist in building a fair, respectful and inclusive culture.

It’s also important to remember that gender is only one element of diversity. Australia needs to look beyond gender, and keep working to build diversity along other dimensions as well, such as disability, ethnicity and age. Working to improve diversity and inclusion along all these dimensions will unlock even more value for Australia.
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Appendix A: Modelling the business benefit of gender diversity

This section outlines the econometric technique used to examine the association between gender diversity in senior leaderships and firm financial performance in Australia. The results suggest that a 1% increase in the proportion of female seniors is associated with a 0.07% increase in the company’s Return on Asset (ROA), on average, controlling for business size, industry and their ROAs from the previous financial period.

Empirical studies investigating the association between gender diversity and firm financial performance are often focused in the proportion of females at the board level. For example, Vafaei, Ahmed and Mather (2015) shows that a 1% increase in female directors is associated with a 0.231% increase in ROA. However, the impact of gender diversity at senior management levels have not been studied for firms in Australia.

In this report, we address such limitations in previous studies by using a regulatory database from the Workplace Gender Equality Agency (WGEA) which records the number of male and female employees at various levels in a variety of Australian companies. The financial performance metric (i.e. ROA) is sourced through the IBISWorld and Capital IQ database.

A.1 Methodology

The association between gender diversity and financial performance is examined through the following autoregressive time series model:

\[
R_{OI,t} = \beta_0 + \beta_1 R_{OI,t-1} + \beta_2 \Delta \% \text{female in senior}_{i,t-1} + \beta_3 \Delta \log(\text{number of employees})_{i,t-1} + \text{industry dummies} + \epsilon
\]

where firm i’s ROA in year t is a function of its ROA in the last period (i.e. year t-1), the growth in the percentage of female senior leaders between year t and year t-1, the growth in the log of total employees in the same period (i.e. the percentage growth in total employees), industry specific fixed effects and a normally distributed error term.

The specification of the model is also known as the lagged dependent variable model. Because the lag of the dependent variable, ROA, enters the model as a predictor in the right hand side of the equation. The inclusion of the lagged ROA is intuitive as the firm financial performance from the last period is likely to have an impact on this period. In such case, not including the lagged dependent variable will lead to omitted variable bias that makes the result unreliable.

For the purpose of the analysis, a number of observations are removed for various reasons. Table A.1 outlines the four filtering criteria and their respective rationales.
Our sample consists of 353 Australian firms covering 18 industries after the filtering process as outlined in Table A.1. It should be noted that the removal of uncommon and/or influential observations will not be necessary if more observations can be collected in the future. However, the filtering approach is adopted because the estimation is restricted with two years of panel data.

### Table A.1: Criteria of sample filtering

<table>
<thead>
<tr>
<th>Filtering criteria</th>
<th>Rationale of removal</th>
<th>Number of observations removed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firms with an increase/decrease in ROA of more than 100%</td>
<td>Significant change in ROA are likely a result of unobserved characteristics (e.g. record error) that cannot be accommodated by the model</td>
<td>2</td>
</tr>
<tr>
<td>Firms with more than 50% females already in senior roles</td>
<td>The direction of effect of the percentage of female seniors is expected to reverse as it exceeds 50% (there are not enough observations to examine the actual impact)</td>
<td>31</td>
</tr>
<tr>
<td>Firms making a loss in 2015 but a profit in 2016, vice versa</td>
<td>The change in profitability between the two years are likely a result of unobserved characteristics of the firm/market that cannot be accommodated by the model</td>
<td>73</td>
</tr>
<tr>
<td>Observations with Cook’s distance greater than 0.2</td>
<td>Observations that need to be removed due to high levers (highly influential on the modelling outcome)</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Deloitte Access Economics analysis

### A.2 Data

Under the Workplace Gender Equality Act 2012, non-public sector employers with 100 or more staff are required to report to the Workforce Gender Equality Agency (WGEA) annually about the gender composition of their workforce at difference levels of the firm.

To measure gender diversity in senior leadership, we have calculated the proportion of female employees with the position of senior managers or above. Table A.2 shows the relevant WGEA labels and definitions for each senior positions in the reporting organisation.

The WGEA dataset also provides the total number of employees and industry division captions which enters the regression as control variables.

The financial performance data (i.e. ROA) is sourced from two complementary database from IBISWorld and Capital IQ. The data for listed companies is sourced through Capital IQ while for non-listed firms is it sourced (where available) from IBISWorld.
A.3 Causality

It is important to note the general issue of causality for the econometric modelling. In particular, the failure to test for reverse causality (endogeneity) could result in inconclusive findings. In the context of this report, it is unclear whether it is the higher female representation that improves financial performance or better financial performance attracting more female to senior leadership.

However, given the ways in which female leadership improves business governance and workforce productivity as outlined in Chapter 5, it is likely that the representation of females at senior positions boosts financial outcomes of the business.

### Table A.2: WGEA definition of seniority

<table>
<thead>
<tr>
<th>WGEA label</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>The Chief Executive Officer (CEO) or equivalent is the head of business in Australia</td>
</tr>
<tr>
<td>KMP</td>
<td>Key management personnel (KMP) refers to those persons who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, in accordance with Australian Accounting Standards Boards AASB124. A defining feature of KMPs is that their influence is at the entity level. They are likely to be functional heads such as head of operations or head of finance and direct how that component contributes to the entity’s outcome, with a strategic focus. The KMP is a manager who represents at least one of the major functions of the organisation and participates in organisation-wide decisions with the CEO.</td>
</tr>
<tr>
<td>OEXE</td>
<td>Other executives/general managers (OEXE) hold primary responsibility for the equivalent of a department or a business unit. In a large organisation, this manager might not participate in organisation-wide decisions with the CEO. Alternatively, this manager could have influence in organisation-wide decision making forums to provide expertise or project development but because they do not actually hold authority at an entity level they would not be defined as a KMP.</td>
</tr>
<tr>
<td>SEN</td>
<td>Senior managers are charged with one or more defined functions, departments or outcomes. They are more likely to be involved in a balance of strategic and operational aspects of management. Some decision-making at this level would require approval from one of the three management levels above it. Senior managers are responsible for resourcing, a budget and assets (capital expenditure).</td>
</tr>
</tbody>
</table>

Source: Workforce Gender Equality Agency (WGEA)
A.4 Results

Table A.3 shows the estimated coefficients of our regression model. It can be seen that the change in the female proportion in senior leadership ($f_{ptg\_senior} - f_{ptg\_senior\_lag}$) is associated with a positive coefficient which is significantly different from zero at 5% statistical significance (i.e. with p value less than 0.05).

The results suggests that a 1% increase in the proportion of female seniors is associated with a 0.07% increase in the company’s Return on Asset (ROA), on average, controlling for business size, industry and their ROAs in the previous financial period.

Most of the industry dummies and the size variable are not statistically significantly different from zero (i.e. with p value greater than 0.05). But the lagged RoA term is highly significant. It is conceivable that with merely two years of data the regression is not able to accurately estimate the impact of industry and size on financial performance, controlling for financial performance from the previous period.

Table A.3: Estimated regression coefficients for the association between female senior leadership and financial performances

<table>
<thead>
<tr>
<th>Term</th>
<th>Estimate</th>
<th>Std.error</th>
<th>Statistic</th>
<th>P.value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Intercept)</td>
<td>0.006</td>
<td>0.021</td>
<td>0.275</td>
<td>0.783</td>
</tr>
<tr>
<td>ROA_lag</td>
<td>0.817</td>
<td>0.034</td>
<td>24.390</td>
<td>0.000***</td>
</tr>
<tr>
<td>$I(f_{ptg_senior} - f_{ptg_senior_lag})$</td>
<td>0.075</td>
<td>0.036</td>
<td>2.062</td>
<td>0.040*</td>
</tr>
<tr>
<td>$I(log(emp) - log(emp_lag))$</td>
<td>0.006</td>
<td>0.007</td>
<td>0.755</td>
<td>0.451</td>
</tr>
<tr>
<td>industryAdministrative and Support Services</td>
<td>-0.007</td>
<td>0.025</td>
<td>-0.279</td>
<td>0.780</td>
</tr>
<tr>
<td>industryAgriculture, Forestry and Fishing</td>
<td>-0.014</td>
<td>0.026</td>
<td>-0.524</td>
<td>0.600</td>
</tr>
<tr>
<td>industryArts and Recreation Services</td>
<td>0.017</td>
<td>0.028</td>
<td>0.621</td>
<td>0.535</td>
</tr>
<tr>
<td>industryConstruction</td>
<td>0.012</td>
<td>0.024</td>
<td>0.510</td>
<td>0.610</td>
</tr>
<tr>
<td>industryEducation and Training</td>
<td>-0.006</td>
<td>0.026</td>
<td>-0.236</td>
<td>0.813</td>
</tr>
<tr>
<td>industryElectricity, Gas, Water and Waste Services</td>
<td>-0.004</td>
<td>0.027</td>
<td>-0.149</td>
<td>0.882</td>
</tr>
<tr>
<td>industryFinancial and Insurance Services</td>
<td>-0.004</td>
<td>0.022</td>
<td>-0.167</td>
<td>0.868</td>
</tr>
<tr>
<td>industryHealth Care and Social Assistance</td>
<td>-0.006</td>
<td>0.027</td>
<td>-0.209</td>
<td>0.835</td>
</tr>
<tr>
<td>industryInformation Media and Telecommunications</td>
<td>-0.001</td>
<td>0.024</td>
<td>-0.048</td>
<td>0.962</td>
</tr>
<tr>
<td>industryManufacturing</td>
<td>0.006</td>
<td>0.022</td>
<td>0.278</td>
<td>0.781</td>
</tr>
<tr>
<td>industryMining</td>
<td>-0.011</td>
<td>0.023</td>
<td>-0.462</td>
<td>0.644</td>
</tr>
<tr>
<td>industryOther Services</td>
<td>-0.010</td>
<td>0.030</td>
<td>-0.343</td>
<td>0.732</td>
</tr>
<tr>
<td>industryProfessional, Scientific and Technical Services</td>
<td>-0.004</td>
<td>0.023</td>
<td>-0.194</td>
<td>0.846</td>
</tr>
<tr>
<td>industryRental, Hiring and Real Estate Services</td>
<td>0.030</td>
<td>0.026</td>
<td>1.165</td>
<td>0.245</td>
</tr>
<tr>
<td>industryRetail Trade</td>
<td>0.018</td>
<td>0.024</td>
<td>0.775</td>
<td>0.439</td>
</tr>
<tr>
<td>industryTransport, Postal and Warehousing</td>
<td>-0.002</td>
<td>0.024</td>
<td>-0.083</td>
<td>0.934</td>
</tr>
<tr>
<td>industryWholesale Trade</td>
<td>0.007</td>
<td>0.023</td>
<td>0.291</td>
<td>0.771</td>
</tr>
</tbody>
</table>

Source: Workforce Gender Equality Agency (WGEA)
Appendix B: Modelling the economic benefit of gender diversity

This section outlines the modelling techniques for estimating the economic benefit from gender diversity to the Australian economy. Our results suggested that if gender parity is achieved at senior leadership levels (i.e. the share of male and female managers employed is equalised across the workforce), it would add about $1.69 billion (2016-17 AUD) to the Australia’s GDP on an annual basis through boosting the female labour participation rates. This represent a gain of 0.1% or one tenth of the gain from the Government’s proposed lowering of company tax.

Additionally, we have estimated the economic value of women in senior leadership’s contribution to flexible working policies, such as use of tele-commuting and flexible hours. The estimated impact on GDP is $9.11 billion (2016-17 AUD), which is 0.54% of Australia’s GDP in 2016.

B.1 Shocks to labour supply
Since 2011, the OECD database has recorded the share of employed persons who are manages by gender in each country. To estimate the statistical association between the share of employed persons who are managers and labour participation by gender, we perform the following cross panel beta regression:

\[
MLP_{i,t} = \alpha_0 + \alpha_1 \left( \frac{\text{Female managers}}{\text{Total employees}} \right)_{i,t-1} + \lambda MLP_{i,t-1} + \text{Country dummies} + \text{Year dummies} + \epsilon_{i,t}^1
\]

\[
FLP_{i,t} = \beta_0 + \beta_1 \left( \frac{\text{Male managers}}{\text{Total employees}} \right)_{i,t-1} + \lambda FLP_{i,t-1} + \text{Country dummies} + \text{Year dummies} + \epsilon_{i,t}^2
\]

That is, the labour participation rate (MLP for male and FLP for female) for country i in time t is a function of its labour participation rate in the previous year, share of employed persons who are managers (by gender) and the fixed effects from country and year. The functional form of the model is a lagged dependent variable model similar to the specification in Appendix A.

However, the error term is no longer normally distributed as the dependent variable (labour participation rate) is a ratio that resides between 0 and 1. In essence, the labour participation rate is the average probability of a person in country i, time t, to join the labour force. In this case, the dependent variable would not be normally distributed, which violates one of the OLS assumptions.
The standard statistical procedure to model variables that assume values in the standard unit interval \((0,1)\) is known as a beta regression model. It is based on the assumption that the dependent variable is beta-distributed and that its conditional mean is related to a set of variables through a linear combination via a link function. For this report, we have used the “betareg” package in the statistical environment R to perform the panel regression (Cribari-Neto and Zeileis, 2010).

Additionally, it is statistically challenging to estimate the whole system of equations using merely four years of data (2011-14) collected by the OECD. For the purpose of our analysis, we impose the restriction that all coefficients are the same for the male and female equations except for the intercept and the coefficients on the share of female/male managers over total employment. Then the system of equations can be estimated from the following reduced form:

\[
LP_{it} = \gamma_0 + \gamma_1 \cdot FD + \gamma_2 \cdot f(FD) + \gamma_3 \cdot f(FD) + \lambda \cdot LP_{it-1} + \text{Country dummies} + \text{Year dummies} + \epsilon_{it}
\]

where,

\[
f(FD) = \begin{cases} 
0, & \text{if male} \\
1, & \text{if female}
\end{cases}
\]

Table B.1 shows the estimated coefficients on the predictors from the beta regression, omitting the time and country fixed effects. The female dummy (SexWomen) is negative and statistically significant at 1%. This reflects the fact that the labour participation rate for females is consistently lower than males across countries and controlling for other factors. The lag of the labour participation rate (percent_lp_lag) is significant and positive, suggesting that a higher labour participation rate in the past is likely to increase labour participation in the future.

In essence, male labour participation can be affected by the ratio of male managers to total employees, while female labour participation can be affected by the ratio of female managers to total employees. Both male and female labour participation rates are also driven by their own lag terms, as well as the country and year specific fixed effects.

### Table B.1: Estimated coefficient from beta regression

<table>
<thead>
<tr>
<th>term</th>
<th>estimate</th>
<th>std.error</th>
<th>statistic</th>
<th>p.value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept ((\gamma_0))</td>
<td>-1.973</td>
<td>0.156</td>
<td>-12.614</td>
<td>0.000***</td>
</tr>
<tr>
<td>percent_lp_lag ((\lambda))</td>
<td>4.838</td>
<td>0.124</td>
<td>39.021</td>
<td>0.000***</td>
</tr>
<tr>
<td>SexWomen ((\gamma_1))</td>
<td>-0.553</td>
<td>0.042</td>
<td>-13.209</td>
<td>0.000***</td>
</tr>
<tr>
<td>percent_senior_lag ((\gamma_2))</td>
<td>-1.507</td>
<td>0.766</td>
<td>-1.967</td>
<td>0.049*</td>
</tr>
<tr>
<td>percent_senior_lag:SexWomen ((\gamma_3))</td>
<td>2.005</td>
<td>0.450</td>
<td>4.454</td>
<td>0.000***</td>
</tr>
</tbody>
</table>

Source: OECD data, Deloitte Access Economics analysis
The variable we are interested in is $\beta_1$ which is equal to $y_2 + \gamma_3 = 0.497$. The link function for the beta regression is a logit/sigmoid function. By our calculation, a 1% increase in the share of female employees who are managers is associated with 0.09% uplift in the female labour participate rate. The OECD data suggests that the share of male employees who are managers is 13.3% in 2015 for Australia, while the figure for females is 8.9%. The difference of 4.4 percentage points is associated with a 0.39 percentage point uplift in the female labour participation rate.

Using demographic and work force participation data from the ABS the 0.39% uplift in female labour participation rate is converted to a 0.15% positive shock to overall labour supply in Australia.

### B.2 CGE Modelling

The estimated uplift in labour participation as derived from the previous section has a significant economic impact on Australian GDP. This impact is modelled through the DAE Regional General Equilibrium Model (DAE-RGem).

DAE-RGem is based on a standard CGE model developed by the Global Trade Analysis Project (GTAP), and has been tailored to the Australian economy. This tailoring involved building in a greater level of disaggregation of Australian industries and regions than is provided in the standard model. Because of this, DAE-RGem can be used to more accurately analyse shocks relating to specific industries and regions in Australia.

The DAE-RGem relies on a number of standard and accepted data sources:

- Parameters and international data are from the Global Trade Analysis Project (GTAP), the leading organisation in the development of CGE modelling.
- Australian data are from the Australian Bureau of Statistics’ (ABS) input-output tables.

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14 GTAP is a global network of researchers and policy makers conducting quantitative analysis of international policy issues.

15 Input-output tables are a matrix of industries recording the value of output from one industry that forms input for another. ABS input-output tables record these values for all Australian industries. See ABS Catalogue # 5209.0.55.001
Figure B.1 is a stylised diagram showing the circular flow of income and spending that occurs in DAE-RGEM. To meet demand for products, firms purchase inputs from other producers and hire factors of production (labour and capital). Producers pay wages and rent (factor income) which accrue to households. Households spend their income on goods and services, pay taxes and put some away for savings. The government uses tax revenue to purchase goods and services, while savings are used by investors to buy capital goods to facilitate future consumption. As DAE-RGEM is an open economy model, it also includes trade flows with other regions, states, and foreign countries.

The model compares a baseline scenario where the proposed event (or shock) does not occur with a counterfactual scenario where it does. This requires developing a set of inputs that stylize these alternative scenarios, so that the economic impact of the event can be projected.

In this case, the baseline scenario would involve no exogenous labour supply shock where the economy is in equilibrium and the labour force grows with population endogenously. The counterfactual scenario is then for female labour participation rate to grow by 0.39%, which translates to a 0.15% uplift to the overall labour supply in Australia. Table B.2 shows the estimated impact on GDP for Australia. The annual contribution to GDP is $1.69 billion for Australia.

Table B.2: CGE results from the labour supply shock as a result of uplifted female labour participation attributed to gender equality in senior management

<table>
<thead>
<tr>
<th>Shock to labour supply</th>
<th>Average annual impact on AU GDP ($AUD billion, 2018-30)</th>
<th>Average annual impact on AU GDP (as a share of GDP in 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.15%</td>
<td>$1.69</td>
<td>0.10%</td>
</tr>
</tbody>
</table>

Source: Deloitte Access Economics analysis
B.3 Economic value of flexible working policies

It is important to note that both male and female labour participation can benefit from the availability of flexible working policies, such as tele-commuting, flexible hours, part-time work, etc.

In 2015, ABS surveyed more than three thousands individuals regarding the Barriers and Incentives to Labour Force Participation. It was revealed that around 23% of the working-age persons who were currently not in the labour force indicated that flexible working policies were very important as an incentive for them to participate in the labour force\textsuperscript{16}.

Using the same WGEA dataset from the business benefit analysis in Appendix A, we have investigated the association between the share of female in senior management roles and the availability of flexible working policies. The WGEA dataset records whether a company has formal employment terms, conditions or practices available in the following categories, separately for male/female and managers/non-managers:

- Carer’s leave
- Compressed weeks
- Flexible hours
- Job sharing
- Part-time work
- Purchased leave
- Telecommuting
- Time-in-lieu
- Unpaid leave

We adopt the following regression model to examine the association between female in senior management and the availability of flexible working policies (measured of the total number of flexible policies), controlling for industry and employment size.

\[
\text{Number of flexibility working policies} = \beta_0 + \beta_2 \% \text{ female in senior} \\
+ \beta_3 \log(\text{number of employees}) \\
+ \text{industry dummies} \\
+ \epsilon \sim N(\mu, \sigma^2)
\]

Table B.3 shows the estimated coefficient on the above OLS regression. It can be seen that the coefficient on the percentage of female in senior management ($\beta_2$) is positive and significant. This coefficient is associated with a marginal effect of increasing the availability of flexible working policies by 13% if the average share of female senior management increases from the status quo (22.4%) to parity (50%).

\textsuperscript{16} The flexible policies listed by the ABS related to the ability to 1) vary start finish times; 2) work part-time; 3) work school hours; 4) do some or all work from home.
Table B.3: Estimated coefficients for the OLS regression

<table>
<thead>
<tr>
<th>Term</th>
<th>Estimate</th>
<th>Std.error</th>
<th>Statistic</th>
<th>P.value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Intercept)</td>
<td>-1.954</td>
<td>4.019</td>
<td>-0.486</td>
<td>0.627</td>
</tr>
<tr>
<td>% female in senior</td>
<td>9.961</td>
<td>3.048</td>
<td>3.268</td>
<td>0.001***</td>
</tr>
<tr>
<td>log(number of employees)</td>
<td>2.191</td>
<td>0.303</td>
<td>7.221</td>
<td>0.000***</td>
</tr>
<tr>
<td>industry Administrative and Support Services</td>
<td>5.968</td>
<td>3.997</td>
<td>1.493</td>
<td>0.136</td>
</tr>
<tr>
<td>industry Agriculture, Forestry and Fishing</td>
<td>7.636</td>
<td>4.215</td>
<td>1.812</td>
<td>0.071</td>
</tr>
<tr>
<td>industry Arts and Recreation Services</td>
<td>4.221</td>
<td>4.110</td>
<td>1.027</td>
<td>0.305</td>
</tr>
<tr>
<td>industry Construction</td>
<td>0.230</td>
<td>3.668</td>
<td>0.063</td>
<td>0.950</td>
</tr>
<tr>
<td>industry Education and Training</td>
<td>9.964</td>
<td>4.216</td>
<td>2.364</td>
<td>0.019</td>
</tr>
<tr>
<td>industry Electricity, Gas, Water and Waste Services</td>
<td>8.326</td>
<td>4.546</td>
<td>1.832</td>
<td>0.068</td>
</tr>
<tr>
<td>industry Financial and Insurance Services</td>
<td>12.263</td>
<td>3.421</td>
<td>3.585</td>
<td>0.000</td>
</tr>
<tr>
<td>industry Health Care and Social Assistance</td>
<td>7.695</td>
<td>3.786</td>
<td>2.032</td>
<td>0.043</td>
</tr>
<tr>
<td>industry Information Media and Telecommunications</td>
<td>6.449</td>
<td>3.643</td>
<td>1.770</td>
<td>0.077</td>
</tr>
<tr>
<td>industry Manufacturing</td>
<td>5.477</td>
<td>3.371</td>
<td>1.625</td>
<td>0.105</td>
</tr>
<tr>
<td>industry Mining</td>
<td>4.365</td>
<td>3.474</td>
<td>1.256</td>
<td>0.210</td>
</tr>
<tr>
<td>industry Other Services</td>
<td>5.359</td>
<td>5.326</td>
<td>1.006</td>
<td>0.315</td>
</tr>
<tr>
<td>industry Professional, Scientific and Technical Services</td>
<td>8.157</td>
<td>3.444</td>
<td>2.368</td>
<td>0.018</td>
</tr>
<tr>
<td>industry Public Administration and Safety</td>
<td>1.447</td>
<td>6.794</td>
<td>0.213</td>
<td>0.831</td>
</tr>
<tr>
<td>industry Rental, Hiring and Real Estate Services</td>
<td>6.581</td>
<td>4.070</td>
<td>1.617</td>
<td>0.107</td>
</tr>
<tr>
<td>industry Retail Trade</td>
<td>-0.381</td>
<td>3.578</td>
<td>-0.106</td>
<td>0.915</td>
</tr>
<tr>
<td>industry Transport, Postal and Warehousing</td>
<td>4.827</td>
<td>3.708</td>
<td>1.302</td>
<td>0.194</td>
</tr>
<tr>
<td>industry Wholesale Trade</td>
<td>6.420</td>
<td>3.513</td>
<td>1.827</td>
<td>0.068</td>
</tr>
</tbody>
</table>

Source: Workforce Gender Equality Agency (WGEA)
The estimated 13% improvement in the availability of flexible working policies would result in a 0.55% positive shock to the overall labour supply in Australia’s economy. Table B.4 shows the derivation of the size of the labour supply shock, stage by stage, based on a range of sources from ABS and our in-house demographic forecasts.

The first row in Table B.5 shows the CGE results from the derived 0.55% positive shock to labour supply in Australia. The estimated impact on GDP is $6.11 billion (2016-17 AUD) or 0.36% of Australia’s GDP in 2016.

The second row in Table B.5 shows the labour supply shock and the corresponding impact on GDP for people who are currently working part-time, but would contribute more hours if flexible working policies become more available.

The extra number of hours worked is estimated based on a survey conducted by Deloitte Access Economic and the Australian Mobile Telecommunications Association (AMTA) in 2016, which indicated that a part-time worker who work remotely would reduce their labour supply by 11.2 hours per week if they lost such flexible policy.

Multiplying the 11.2 hours figure by the percentage of people working 0-34 hours and cited “working remotely” as “very important” as their incentive to increase labour supply from the ABS survey (16%) and the level of increase in flexible policies attributable to women in senior management (13%) would yield an extra labour supply of 0.23 hours per week for part-time workers.

This amounts to a 0.24% shock to total labour supply in Australia, which is associated with an impact of $3 billion or 0.18% of AU GDP in 2016.

In sum, flexible working policies have significant impact on labour supply and GDP for the Australian economy. Women in senior management is strongly associated with the establishment of these policy. The combined economic value attributed to this is $9.11 billion, or 0.54% of AU GDP in 2016.

17 Combining the two shocks together to input the CGE model would result in a similar impact on GDP at 0.54%.
Appendix C: Survey respondents

To inform this report, a survey was fielded to in September 2017 to businesses across Australia. The sample is nationally representative across state and industry categories. Employees (manager level and above) at 1,054 businesses with 5 or more employees answered questions about gender diversity in the business. Specifically, they were asked about the level of gender diversity in senior management, current policies and changes over time, their business outcomes, the importance of diversity, barriers to achieving diversity.

The charts below present a breakdown of the sample along a range of dimensions, both about the businesses surveyed, and personal details about the respondents themselves.

Chart C.1: Industry breakdown of businesses surveyed

Chart C.2: Organisation types surveyed

Chart C.3: Size of businesses surveyed, employees

Chart C.3: Size of businesses surveyed, annual revenue
Appendix C: Survey respondents

Chart C.5: State breakdown of businesses surveyed

Chart C.6: Regionality of businesses surveyed

Chart C.7: Position of respondents in business

Chart C.8: Gender of respondents

Chart C.9: Respondents’ annual salary

Chart C.10: Age of respondents
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