



Briefing: Why Gender Equity is Good for Business

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Introduction

Progress towards a working world where all can flourish, irrespective of gender, remains slow.

Women and other marginalised genders face persistent gaps in pay, are underrepresented in senior positions and overrepresented in insecure, typically lower paid roles.

Gender based harassment and discrimination in the workplace endures, with some research suggesting sexual harassment is on the rise.

The impact on women and other marginalised genders is evident,

undermining their autonomy, financial security and at points their very safety and limiting the power and influence they have over their own lives and the wider world.

Business in the Community, in conjunction with economics, finance and data science consultancy Oxera, has reviewed more than 100 pieces of research, spanning academic literature, randomised control trial experiments, industry research ('grey literature') and other relevant literature to better understand the impact of gender diversity (or lack thereof) in the workplace, on commercial outcomes.

This briefing summarises the key findings.

Key Findings

There is a large body of evidence that finds that greater gender diversity leads to positive commercial outcomes both through increasing revenues through increasing productivity and innovation, but also through reducing costs. For example, through reduced workplace turnover.

This is illustrated most clearly at senior board and executive committee level but is also proven further down the chain of

command, for example in middle management leadership teams.

Typically, the gains are greatest when a tipping point is reached with some literature suggesting that there must be more than one 'woman' (or other minority gender) joining an all-man team for significant impacts to be felt. Some of the research concludes that this is because a lone voice can have limited impact, or because lone voices may often assimilate into the wider group.

This may also be due to the difference between visible representation and the actual power held by different individuals – a distinction often made between equality and true equity.

Many, if not all the benefits gained from greater gender diversity also apply to other underrepresented, marginalised or minoritised groups such as Black, Asian, mixed race or other ethnic minority groups. Some evidence suggests that individuals from multiple marginalised groups bring even greater gains. However, there is limited research available on this.

Through our research, we have identified a number of routes to which greater gender diversity has a positive impact. These include:

- **Enhanced team performance:** Gender diverse teams often bring a wider range of expertise and life experiences, which can lead to better innovation and greater openness to new ideas.
- **A wider range of leadership styles:** This allows for more effective human resources. Much of the research suggests that women's lived experiences may develop higher emotional intelligence. This in turn helps them better understand and utilise their staff's skills and expertise.
- **A reduction in bias particularly around recruitment:** More diverse organisations are less prone to biased hiring practice, allowing them to effectively recruit the best talent.
- **Increased productivity and engagement of female workers:** Women in particular may feel more valued and respected by organisations with gender diverse leadership, leading to better motivation in their roles.

- There is also some evidence that businesses led by gender diverse teams are able to place women into roles into which they can be more productive and have greater retention of a female employees. Additionally, research indicates that greater gender diversity enhances workplace culture, positively impacting productivity across different demographics.
 - This suggests that greater gender diversity could potentially increase productivity and engagement not only for female employees but also for other marginalised groups.
 - There is also some evidence that businesses led by gender diverse teams are able to place women into roles into which they can be more productive and have greater retention of a female employees. Additionally, research indicates that greater gender diversity enhances workplace culture, positively impacting productivity across different demographics.
 - This last finding suggests that greater gender diversity could potentially increase productivity and engagement not only for female employees but also for other marginalised groups.
 - **More effective scrutiny and oversight:** Some research suggests that organisations with gender diverse leadership act quicker during times of commercial challenges such as falling share prices. There is also limited data indicating that diverse teams are less likely to take unnecessary risks.
 - **Higher bar for senior level entry:** Women joining boards or executive committees often bring deeper and / or broader knowledge than their male counterparts.
- In addition to these proven impacts in normal business operating conditions, our research identified that those organisations with greater gender diversity and equity are better equipped to navigate the challenges and opportunities posed by ongoing technological change such as the rise of artificial intelligence and climate change, both of which have been linked to wider commercial success.

Artificial Intelligence (AI)

The commercial benefits of greater gender diversity and equity regarding the adoption of AI are less clear cut; broadly the research suggests there are two primary connections:

1. Lessening the risk of biased AI:

Research shows that AI tools such as 'large language models' can be subject to biases resulting from either the skewed data such systems are trained on, the lack of diversity among the coders who develop it, or the senior staff who oversee such technological advancements.

Such biases can negatively impact commercial outcomes such as reputation and hiring processes, where AI driven decisions may not lead to better recruitment results.

Increasing gender diversity in the data used to train AI systems and in the teams that develop and oversee these tools can help reduce biases,

thereby minimising potential commercial risks.

Enabling employers to better fill the 'jobs of the future': Research suggests that with the rise of AI, many workers will lose their jobs, and women's jobs are substantially more at risk.

While this poses risks for these women, it may also pose opportunities for employers who can gain a 'second wave' of benefits if they are able to transition this newly available labour force into new roles.

Climate Change

A large body of literature indicates that greater gender diversity and equity are positively associated with better company environmental performance. This includes an assessment of 2000 listed businesses in industrialised economies, that found every 1 per cent increase in female managers corresponded with a 0.5 per cent decrease in CO₂ emissions;¹

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¹ A 2022 study by Altunbas et al., based on a sample of 2,000 listed businesses in industrialised economies from 2009 to 2019, found that a 1% increase in female

The same analysis assessed progress after the Paris Agreement and found that businesses with greater gender diversity at the management level reduced their CO₂ emissions by about 5 per cent more than those with more with more male managers.²

Researchers suggest that this positive relationship is due to several factors. Women, on average may have greater awareness of climate change potentially because they are more impacted on a global level.

Additionally, women tend to display higher levels of risk awareness and aversion. There is also some research highlighting that women can, on average, bring a more 'communal' mindset considering all internal and external stakeholders when developing and delivering plans – meaning they are more mindful of climate impact.

How Business in the Community can support you

At Business in the Community, our Inclusion Advisers use an intersectional

approach to support organisations in every aspect of equity, diversity, and inclusion, including how to develop greater gender equity in your workplace.

To find out more get in touch with our [Advisory team](#).

² IBID