Journal of International Women's Studies

Volume 25 | Issue 7 Article 22

October 2023

Book Review: Women in Financial Services: Exploring Progress towards Gender Equality

Jessica Ye
Northeastern University, Boston

Book Review: *Women in Financial Services: Exploring Progress towards Gender Equality*[1]

Reviewed by Jessica Ye[2]

Women in Financial Services: Exploring Progress Towards Gender Equality addresses gender diversity in the financial services industry and across its subsectors. This book provides an opportunity for women to learn about the reasons for their low gender representation in financial services along with what has been done to resolve this status. The discussion fosters an understanding of the role of policy and regulation in the promotion of gender diversity in financial institutions. Though prior knowledge about the subject area is not required to follow the topics raised, an understanding of the organizational structures of financial institutions can enhance the ability for readers to think critically about the roots of existing systemic issues.

The book begins with an overview of law and social policy as well as an explanation for the relevance of the topic to the status quo. Then, Birindelli and Iannuzzi discuss theories that dominate literature and address the causes for a lack of women in executive committees and board positions. Industries covered include banking, insurance, asset management, and central banking. Afterwards, they proceed to detail gender diversity dynamics and challenges by industry and geography. With each of the eleven chapters serving as an independent study, Birindelli and Iannuzzi eventually arrive at a framework for measuring gender equality in their final chapter.

The authors' research methodology primarily utilizes a combination of literature reviews and qualitative and quantitative data displayed through tables to construct data-backed analyses. In doing so, the reader can understand the global landscape of women's representation in financial services institutions and the impacts of policy enforcement on specific geographies. Yet, there are certain limitations to consider.

Throughout the text, Birindelli and Iannuzzi conduct a series of policy studies to highlight the progress for gender diversity via regulation implemented in primarily European countries within each financial sector. This aligns with the United Nations' fifth Sustainable Development Goal to achieve gender equality and empowerment for all women and girls. Birindelli and Iannuzzi assert that to accomplish these goals, policymakers and regulators must collaborate with experts to increase access to education for women, improve childcare services, and break down barriers to entry such as the "double glass ceiling." The first ceiling occurs from the transition to middle management and the second ceiling appears during the promotion to the executive committee.

In chapter three, Birindelli and Iannuzzi review the barriers and challenges that hamper a woman's career progression. Through examining performance data, they find that balanced gender diversity yields the highest fund returns for financial services institutions. The authors then address the existing body of literature about women's behavior in financial institutions. Much of the research suggests women tend to display risk-adverse behaviors in operating and investing, citing it as a reason for higher representation of women in roles relating to corporate governance or in smaller financial institutions. For example, Birindelli and Iannuzzi share findings that women CEOs for small banks prevent bankruptcy during recessionary environments. Yet, other studies

[1] Birindelli, G. & Iannuzzi, A.P. (2022). *Women in financial services: Exploring progress towards gender equality*. Palgrave Macmillan.

[2] Jessica Ye is an undergraduate student at Northeastern University majoring in Economics and Mathematics. Email: Ye.je@northeastern.edu

suggest that there is no evidence that women affect bank risk and may even increase risky behaviors. Birindelli and Iannuzzi imply that researchers should consider other factors that may alter women's behavior. They write that women who succeed in business do not conform to traditional female stereotypes which alludes to the reality that there are double standards for women in executive management and board positions. Birindelli and Iannuzzi do not elaborate on the root causes for the formation of risk tolerance in women, but it is important to acknowledge that there are potential consequences for women that engage in risk-taking behaviors. Existing stereotypes and expectations for women become amplified when women fail. They are penalized simply for not behaving like stereotypical women. Similarly, existing research presents limitations because it is important to understand if and how women are incentivized to display risky behaviors. Moreover, it is important to explore how economic systems, religion, and culture can influence women's learned behavior. These behavioral traits are present in financial decision-making processes.

In chapter four, there is a discussion on sector distribution for gender diversity in banks. Women tend to be more represented at the executive committee level in compliance roles. Furthermore, female representation in leadership is higher for the human resources, marketing, legal, and compliance departments. However, there has been limited progress for gender diversity in capital deployment positions. Birindelli and Iannuzzi recognize the small proportion of women that are in revenue-generating roles such as Chief Executive Officer (CEO) and board members. In particular, the insurance and asset management industries—where capital is most abundant—has had a negative effect on the percentage of women holding these decision-making roles since 2000. Only 1.1 percent of global wealth within the asset management industry is managed by women (p. 5). Thus, considering which types of financial services institutions hold the most assets and tracing changes could confirm whether there is a consistent negative correlation for women's representation in those industries. A shortcoming of the book is not considering gender diversity in context with the rise of the shadow banking industry and, subsequently, alternative investments. The shadow banking industry is less regulated than traditional financial services industries, which could alter the interpretation of progress in gender diversity for management of asset classes like private equity and venture capital. In addition, institutional investors such as hedge funds, sovereign wealth funds, pension funds, and endowments are also incredibly influential with respect to the persistence and modification of gender roles because of their scale and breadth of investment activities.

Women in Financial Services: Exploring Progress Towards Gender Equality also analyzes the reasons for the wage gap in chapter five. Once women obtain a role, they face wage discrimination. Although the wage gap has been decreasing, women are still earning less than their male counterparts for the same role and level of experience. Also, external and internal promotion result in different pay outcomes with internal promotions resulting in a smaller wage gap. Even so, women are represented in less valued and thus less paid roles within financial services. Understanding the technical and social barriers can help cultivate the increased presence of women in the financial services industry. Additionally, the authors argue that because women have fewer technical skills than men, they are unable to qualify for leadership roles within financial services institutions. The authors detail that women are less likely to obtain graduate degrees for reasons like discrimination during thesis presentations or lack of motivation. This stunts female representation in central banks as the prerequisite is typically a Ph.D.

Birindelli and Iannuzzi continue in chapter ten by examining policies that have been implemented and their effects on gender equality in the financial industry. The authors focus on

European systems and policies because of their access to data as well as the transparent frameworks that have been established to promote gender equality. For instance, in 2012, the European Commission submitted a proposal to achieve a minimum representation of 40 percent of women on executive boards. This subsequently led to the formalization of this policy through legal channels in many European countries, with Norway becoming the first country to do so. There was a rise of both hard quotas (mandatory), soft quotas (non-mandatory), and “comply or explain” requirements for both public and private financial institutions. Birindelli and Iannuzzi acknowledge that quotas reduce barriers, discrimination, and stereotypes about women, but they also discuss potential consequences. They argue that women may have preference for childcare over a professional career, and this may instead result in the hiring of low-skilled women. But, this statement is challenged later in the chapter when the authors mention the presence of childcare facilities helping yield a gender balance. This presents another limitation—do we know if women prefer childcare or if it is more of a societal expectation for women to take on child-rearing responsibilities? Scandinavian and Eastern European countries have a more balanced representation of women in central banking because of the work flexibility and services provided by the government (European Banking Authority, 2020, p. 21). Further research on shared responsibilities in parenting along with maternity and paternity leave can reveal potential benefits.

In the last chapter, Birindelli and Iannuzzi discuss the potential for a framework in creating gender diversity in the financial services industry since nothing like it exists. They then construct their own framework that includes four main components: gender balance in governance bodies and employees, policies promoting gender equality, transparency of the company’s actions towards the community, and equal compensation. One limitation of this framework is that of the 24 items listed, some of the grading criteria could be subjective. Like any index that exists, there must be a universal standard for the quality and truth in reporting. Another important shortcoming to note is that the authors do not explain why women do not have certain traits or skill sets for leadership in financial institutions. Expectations, education, and resources may not be offered to women from birth to cultivate aspects of personal and professional growth. Given the opportunities and exposure, women will have the chance to perform well in executive management and board roles. Despite that, there are merits to providing a framework for balancing gender as a starting point for change.

Overall, Birindelli and Iannuzzi provide valuable insights about gender diversity across sectors of the financial industry in *Women in Financial Services: Exploring Progress Towards Gender Equality*, albeit with a few shortcomings. Through their study, the authors provide a foundation for both governments and firms to take responsibility for creating a more equal balance. It is important to recognize that progress for gender diversity will take longer and take shape in different ways. But as evidently seen in Europe, policies are paving the way for the next generation of women. Eliminating double standards to even out expectations while providing training, mentorship, and resources can result in highly motivated and qualified women to succeed in leadership roles. Ultimately, gender equality is a problem that is not unique to the financial services industry; it is an issue that also needs to be addressed in society at large. Everyone, specifically policymakers, should read this book to understand the importance of gender diversity in creating a more sustainable economy, especially given the ever-increasing number of women entering the workforce.

References

European Banking Authority. (2020). *EBA Report on the Benchmarking of Diversity Practices at European Union Level Under Article 91*(11) of Directive 2013/36/EU EBA/REP/2020/0, 4-38.