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According to Catalyst, there were only two female CEOs leading Fortune 500 companies (0.4%) in 2000 (Catalyst, 2000). By 2019, this number had only increased to 24 (4.8%) (Catalyst, 2019). Historically, there have been only 73 female Fortune 500 CEOs. Similar low numbers are found around the world, and the World Economic Forum concluded that at the current rate, it will take 170 years to reach global gender equality in health, education, economics, and politics (Schwab et al., 2016). Such slow progress is especially puzzling because women are earning more educational degrees (e.g., Gonzales et al., 2013) and women in senior positions have enhanced organizational performance and positively impact their environments (e.g., Zhang & Hou, 2012).

Despite longstanding disparity, relatively few studies examine gender effects in international business. This lack of research is surprising, given that culture is typically derived from two bases: sociality and sexuality (e.g., Stevens, 2015), and a culture’s gender roles are among the first that children are taught (Saewyc, 2017). Therefore, gender roles would be a top interest for organizations operating internationally. While the research on the subject remains limited, existing findings on gender in international business may provide a foundation for future investigations. For example, recent culture research found that in-group collectivism influenced women’s entrepreneurial decisions, while institutional collectivism essentially did not (Bullough et al., 2017). Additionally, perceived company international proactiveness was an important variable influencing attitudes towards women’s career advancement in Latin America (Herman et al., 2017).

Women in the Academy of International Business (WAIB) (https://waib.aib.world/) has long championed gender equality and AIB Insights worked with WAIB, in particular Guest Co-Editor and WAIB President Amanda Budde-Sung, to produce this special issue. We hope these articles help uncover best practices that may help reduce longstanding gender disparities.

We start the issue with the article “Yes We Can, but How? Women’s Representation in Global Business” by Amanda Budde-Sung, Amanda Bullough, Tugba Kalafatoglu, and Fiona Moore. This article recommends policies across four key areas where greater gender diversity can offer benefits to firms: namely corporate governance, leadership, entrepreneurship and innovation. As such, it offers a broad overview of advantages of gender diversity, making it an excellent introduction to this issue.

Our second article, by Sonja Franzke and Fabian Jintae Froese, is titled “Stay Hungry, Stay Foolish? Inertia in Female Entrepreneurship across Countries.” Relying on a comparison of China, Germany, and the United Kingdom, this article discusses gender diversity in the area of entrepreneurship. The authors examine cross-country differences of female entrepreneurs, arriving at the counterintuitive conclusion that a more challenging business environment and stricter role expectations fosters rather than hinders female entrepreneurship.

In the article “Let Women Take the Lead: Insights from the UK Defense Industry,” Andri Georgiadou, Beverly Dawn Metcalfe and Claire Rimington examine workplace gender diversity within a more non-traditional context, the UK defense industry. The authors argue that both conscious and unconscious biases remain embedded in corporate culture, limiting female advancement. The authors also identify diverse ways of addressing gender inequality, including through legislation and gender quotas, and emphasizing the importance of achieving and safeguarding gender equality in non-traditional industries.

Amir Shoham’s article, “Grammatical Gender Marking: The Gender Roles Mirror,” emphasizes how quantitative dimensions of language could help us better understand gender roles at the individual and society levels. This article overviews a tool based on four grammatical language structures and demonstrates its usefulness to multinationals, expatriates, and foreigners in a country in general.

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Research on women in international business and management matters for many reasons. Achieving global gender parity in workforce participation could add $12 trillion to global GDP by 2025 (McKinsey Global Institute, 2015). Having more women on corporate boards and in top management often leads to stronger financial performance (e.g., Conyon & He, 2017; Dezső & Ross, 2012). Female business leaders are associated with lower levels of corruption and bribery (e.g., Breen et al, 2017); have different managerial techniques (e.g., Keeves, Westphal, & McDonald, 2017); are willing to pursue entrepreneurial ventures in areas their male counterparts fear (e.g., Bullough & Renko, 2017); and have different preferred leadership prototypes (e.g., Paris et al, 2009). Around the globe, researchers are exploring how to close the gender gap and better harness the opportunities that gender differences can bring.

Many firms have rules in place, either intra-company rules, or external legal rules, that prevent gender discrimination. In the pursuit of the benefits that gender diversity can bring, many countries have passed laws implementing quotas for women on corporate boards, and yet women remain woefully underrepresented on corporate boards around the world, even in countries that have enacted those laws. Some countries have generous maternity leave policies, and yet a significant motherhood pay gap persists across the globe, where women’s earnings decrease with each child, and men’s earnings tend to increase with the arrival of children. Even after each of the G20 countries supported addressing the issue of gender discrimination at the 2014 G20 conference in Australia, women’s wages continue to lag behind men’s wages in all of the G20 countries. The same problems are faced at the firm level. When firms adopt wage transparency policies, many are often shocked to find that gender-based pay gaps persist in their own firms. Clearly, governmental and company-level policymakers wish to take effective action, but they appear to lack clear policies to effectively do so.

This article highlights some benefits that greater gender diversity in firms can offer and recommends policies that can be implemented to more effectively achieve those benefits. Four key areas where greater gender diversity can make a difference, namely corporate governance, leadership, entrepreneurship and innovation, are explored before examining policy ideas that can encourage gender diversity in the workplace and senior management.

**Corporate Governance**

Studies in corporate governance have shown that companies whose boards have greater representation of women fare better: they have higher profits, lower employee turnovers, fewer ethical violations, and they pursue greener, more environmentally friendly policies. All firms would like to achieve these goals, but many fail to do so, despite gender-advancing policies. This disconnect may be due to a focus on the outputs – the number of women on boards – instead of the inputs, which is a strong pipeline of female workers who may eventually become board members. In other words, the problem did not begin with the board itself, but rather, with the hiring and promotion processes at the entry- and mid-levels. Indeed, policy analysts who
study this issue have suggested that a stronger pipeline of qualified women would result in greater gender diversity on boards, thus allowing firms to enjoy the concurrent benefits of that diversity. To build a pipeline of female talent from which new board members may be recruited, firms can encourage more women to participate in company leadership in multiple areas and levels.

**Leadership**

Recent studies indicate that companies with female CEOs tend to face more challenges from activist investors. While this bias is disconcerting when viewed from a gender equality perspective, it does mean that activist investors expect female-led companies to have stronger foundations and better cohesiveness than male-led companies. Companies with more women in top leadership roles tend to have better financial performance and lower employee turnover, but to achieve these results, women need representation in firms beyond tokenism. A study by the Peterson Institute for International Economics indicated that firms begin to reap benefits of gender diversity when at least 30% of a firm’s leaders are female (Dezsö & Ross, 2012). The recommendation for firms is to develop a pipeline of female leaders by encouraging more women to put their hands up for higher-level leadership positions, and by providing more leadership development opportunities for women to equip them with the necessary tools to serve in those roles. Specific mentoring is also recommended here, with mentors supporting female employees as they pursue higher opportunities within the company.

**Entrepreneurship**

Female-led start-ups consistently outperform male-led start-ups. A 2013 study found that women-led entrepreneurial teams have a 35% higher return on investment than do all-male entrepreneurial teams (Garaizar, 2016). A 2018 Boston Consulting Group study found that female-led ventures produce higher revenues than do all-male ventures, but that they receive far less venture capital (VC) funds than do all-male teams (Boston Consulting Group, 2018). Indeed, the gender bias in venture capital is widely documented, so the major question remains: if women are a better bet than men are in entrepreneurial ventures, then why don’t they receive more VC funding? A proposed solution is for big VC firms to hire more women in decision-making roles. Since VC firms hire and promote from within their own networks, the network effect is significant. The gender bias in VC is often not a distrust of female-led startups; it is that the large funds tend to be led and staffed by men, and their networks overwhelmingly match VC funding to male entrepreneurs. Women need, therefore, to become more of a presence in VC firms, and to network more with the large funders. Policies at VC firms can help overcome gender bias by developing women-led funds and by hiring more female decision-makers. Governmental policymakers can also help, by demanding transparency and gender reporting in VC funding. Governmental policies that require wage transparency have resulted in greater awareness of, and thus, greater efforts to correct, gender-based wage disparities. Similar transparency policies in the VC industry could have similar results, creating win-win scenarios, with more female-led ventures receiving greater funding, and more VC funds earning better returns.

Beyond the world of formal entrepreneurship, women-led entrepreneurial ventures are growing in the informal economy. This trend is often attributed to a lack of support for female-led businesses in the formal economy. The trend is a lose-lose scenario: governments miss out on taxation and regulation opportunities; other firms miss out on opportunities to engage with these female-led firms; and the female-led firms themselves are exposed to the risks of the unregulated informal economy. Suggestions to bring more women entrepreneurs from the informal economy to the formal economy so that all potential stakeholders may benefit include focused policies to encourage female entrepreneurship; public support for female entrepreneurship from top leadership of VC firms; and facilitating greater access to VC networks for women entrepreneurs. Some evidence suggests that women entrepreneurs may also be less intimidated by risky environments than their male counterparts, and may pursue more opportunities in dangerous areas where their male counterparts fear to tread (Bullough & Renko, 2017). This courageous attitude provides female-led start-ups market opportunities and provides needed goods and services to underserved markets. Suggestions for how to support and increase female-led startups in dangerous locations include public support for female businesspeople; establishment and facilitation of networks for female entrepreneurs; and matching investment money and resources to female-led startups that need it.

**Innovation**

The global world of intellectual property (IP) has gender biases as well. Male scientists and engineers are more than twice as likely to file for patents on their innovations than women are. Women-only patent applications are more likely to be rejected by the US Patent and Trademark Office, and when they are approved, they are more likely to be required to provide greater specificity in the details, thus reducing the patents’ commercial value (Jensen, Kovacs, & Sorenson, 2018). This gender disparity is important, given that scientific and technical patents tend to create a strong multiplier effect, sustaining many jobs and providing significant stimulus to local economies. Furthermore, in patents, women’s names are often included in publications related to the patent, but not in the patent application itself, suggesting that women are being left out of an important aspect of the innovation cycle. Many studies have shown that increasing IP protection among women improves their partic-
Female Representation in the economy and encourages greater female entrepreneurship, thus allowing the economy itself to benefit from greater female participation. Removing gender biases in the development and protection of intellectual property will stimulate more female entrepreneurship, greater economic development, and create more jobs in the world economy. To help achieve these benefits, the World Intellectual Property Office (WIPO) adopted a Gender Equality policy in 2014, with stated goals of promoting greater female empowerment and equality in intellectual property. Suggestions in this policy include ensuring that advisory bodies to WIPO are comprised of both men and women; fostering and nurturing female networks to educate women about IP protection processes and strategies; and incorporating gender-sensitive performance indicators.

Policy Suggestions

A common theme throughout these suggestions, highlighted in Table 1, is for firms and governmental policymakers to facilitate networks for women. Much business activity centers around relationships, and firms miss out on benefits from relationships that underrepresent women. Firms would like to make more money; VCs would like to make higher returns; and governments would like to encourage greater female participation in business, but achieving these benefits requires targeted efforts across firms, VCs and governments. In their recent book, Bullough, Hechavarria, Brush, and Edelman (2019) recommend specific and practical programs, policies, and practices that can be implemented at the organizational and governmental levels to increase women’s roles in business. Given the lack of networks and relationships among businesswomen, formal networking opportunities should be created and fostered. These networking opportunities need to include mentoring options as well as connecting women to sources of financing. A second recommendation that may help firms and governments close gender gaps is to focus on pathways and inputs, rather than outputs. In other words, it is important to look not only at how many female CEOs there are, but also how many top female managers are in the potential pipelines for those roles. If women are underrepresented in these pipelines, then policymakers can develop policies and resources to encourage more women to make themselves available for these roles. A third recommendation is monitoring. Firms are often

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<tr>
<td>Corporate Governance</td>
<td>Firms with more women on boards perform better.</td>
<td>Failures in recruitment and development, and the linked failure to develop a female leadership pipeline.</td>
<td>Need to develop pipelines to encourage, develop, and promote female talent.</td>
<td>Create programs to identify future women leaders and encourage their development.</td>
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<td>Leadership</td>
<td>Companies with greater female representation at top levels perform better and have better work environments.</td>
<td>Few female leaders; female leaders are more likely to face challengers and greater scrutiny.</td>
<td>Develop opportunities for women to pursue leadership roles. Include greater numbers of women in top roles, and create more female-friendly corporate environments.</td>
<td>Encourage female networks and mentorship opportunities. Establishing formal networks in the absence of informal ones has proven effective. Ingrain a culture of inclusivity that weeds out bias.</td>
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<td>Entrepreneurship</td>
<td>Female led startups outperform male led startups, although there are far fewer female-led startups.</td>
<td>Less available VC funding; less funding overall; female-led startups more likely in risky and informal areas.</td>
<td>More VC funding for women entrepreneurs; Establish more formal networking opportunities for women.</td>
<td>Financial and infrastructure support for female startups; encourage networks opportunities for women. Increase exposure of female entrepreneurs to VC funds and more VC funding to female entrepreneurs.</td>
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<td>Innovation</td>
<td>Female underrepresentation in IP protection.</td>
<td>Women not filing for legal IP protection, and/or receiving greater scrutiny, and more rejections, when they do. Women dropping out of the innovation cycle prior to patent application.</td>
<td>Educate female innovators about IP protection systems. Facilitate networks for female innovators to share knowledge about innovation protection and commercialization. Encourage women to remain active in the entire innovation cycle, from conception to protection and commercialization.</td>
<td>Develop female networks and increase understanding of IP protection. Create formal programs to assist women in protecting innovations for commercial viability. Review registration requirements to ensure gender neutrality among IP examiners.</td>
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surprised at gender imbalances within their organizations, as are the governments that govern them. Many countries profess to believe in gender equality, but only six countries actually grant women equal legal working rights to men (World Bank, 2019). Monitoring can alert leaders to gender imbalances. Finally, focused action is needed. The benefits of gender diversity do not happen simply because people hope they will. Recognizing and focusing on the problem, as well as acknowledging that solutions may not be as simple as “hire more women,” is a necessary step.

More research is needed to help firms realize the benefits of gender diversity. It is not enough to say that possible benefits exist; the current gaps between goals and reality regarding gender indicate that the pathways to reaping the benefits of greater gender equality remain elusive. Policymakers and practitioners alike need clearer ways to bring about greater female representation in global business. Women represent slightly more than half of the world’s population, women have unique challenges and contexts, and women bring unique benefits when they engage in global business. The time has come to investigate those challenges and contexts. International business community, consider this your call.

References


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International organizations and governmental institutions have long recognized the relevance of women for the economic and societal progress of a country. Yet women’s participation in the labor force, leadership positions, and entrepreneurship remains low around the world. Hence, practitioners and policymakers focus on supporting women-owned businesses as a means of increasing economic and societal development. To create effective schemes that can help women, researchers, policymakers, and policy implementers require appropriate information on how to best serve female business owners. Do they know what female entrepreneurs need? Do they aim for societal well-being and/or economic performance with their measures? Discussing these questions, we offer a new, thought-provoking perspective by focusing on cross-country differences of female entrepreneurs and presenting the counterintuitive result that a more challenging business environment and stricter role expectations foster rather than hinder female entrepreneurship. We use this to open up the discussion on what weighs heavier: individual well-being or economic performance? Can measures introduced by companies or governments to support women even be harmful in some cases?

In the following, we will discuss cross-country differences in entrepreneurship, before leading over to a three-country comparison of China, Germany, and the United Kingdom (UK). In addition to current statistics on female entrepreneurship, we present preliminary insights from an ongoing project, where we have conducted more than 80 interviews within these three countries.

**The Importance of the Country Context**

The country context has a profound impact on the role of gender in business. One approach to understanding country differences in entrepreneurship has been the study of culture. Research focusing on women in entrepreneurship has found that culture affects the engagement of women in the private sector; further, an interesting question is which types of cultures facilitate or hinder entrepreneurship. Findings suggest that cultural uncertainty avoidance and individualism values facilitate entrepreneurship. We would therefore expect higher numbers of entrepreneurship in more individualistic countries.
such as the UK, while more collectivistic ones such as China should have lower levels of entrepreneurship.

Additionally, in many countries, women still face institutional limitations and role expectations that might affect their career choices (Kemper, Bader, & Froese, 2019). Understanding the influence of her family network is also important for a woman's business development because a woman's social group may support or hinder her career take-up (Bullough, Renko, & Abdelzaher, 2017). This suggests that women in countries such as China, where family roles are more traditional than in Europe, have less flexibility to found a company.

A third important component believed to influence entrepreneurial activity is the business environment. The more stable and favorable the environment, including public policies, political stability, access to resources, etc., the more start-ups, especially those owned by women, generally perceived as more risk-averse than men, should prosper. This would lead to the assumption that countries from the comparatively stable environment of Europe should be leaders in female entrepreneurship. Taken together, the few studies on comparative female entrepreneurship and related research suggest substantial variance across countries, yet the underlying reasons and consequences are not well understood. To move this field forward, we present

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<td>New registered companies (2017)</td>
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Source: Global Entrepreneurship Monitor (2018), Unicef (2016), CNBC (2018), interviews with more than 80 entrepreneurs
preliminary findings on comparative female entrepreneurship in China, Germany, and the United Kingdom.

**Comparison of Entrepreneurship in China, Germany, and the UK**

Taking three countries from different cultural clusters as defined by the GLOBE project, i.e., the Confucian Asia cluster (China), Anglo cluster (the UK), and Germanic Europe cluster (Germany), will provide a broad basis for comprehending cross-country differences in female entrepreneurship. While Germany and the UK are longstanding entrepreneurial hubs, China’s founding community has grown recently, making it an interesting selection of countries for study. As illustrated in Table 1, the founding landscape for women is highly differentiated in the three countries.

In Germany, official statistics show a different picture. While the overall number of new business formation in Germany has been decreasing since 2014, the percentage of female founders has increased slightly in comparison with their male counterparts. Still, less than 33% of new businesses are run by women, with only a slight increase since 2013. This is significantly less than in China. Female entrepreneurs in Germany receive a lot of support from the government and usually share household duties with their partners, while still perceiving this balancing act as stressful and holding main responsibility for child rearing. “I think the majority of women go for security and keep family planning in the back of their head, so that founding could pose a risk. In my opinion, competence and dedication can compensate for any disadvantage” (Helen, Germany).

In the UK, 600,000 new companies were founded in 2017, down from the record set in 2016 of 660,000, illustrating a decrease in entrepreneurial activity and hinting at a beginning change of direction for the UK’s start-up culture. Further, in 2018, only 33% of businesses in Britain were run by women, despite there being one million more women than men in the UK. Not only has the current government encouraged entrepreneurship less, but it has also introduced changes that small businesses struggle with, including higher tax on business properties and increasing regulation. Gender role expectations seem to be even more favorable than in Germany, with a recent survey claiming that traditional views have continued to decline, with 72% of respondents disapproving the conservative view that women should dedicate themselves to housework. However, paid maternal leave is only 12 weeks, and the UK ranks low in family-friendly policies, making it quite surprising that the percentage of women entrepreneurs is similar to Germany’s.

Despite having a less favorable entrepreneurial culture in general, and higher role expectations on women in particular, the share of females in entrepreneurship is much higher in China than in Germany and the UK. Female entrepreneurs in China receive very little support from the government but still manage to start their businesses. We see here that promoting entrepreneurship seems to be more complex than merely introducing support programs. The above overview provides counterintuitive insights, raising several questions:

- Why is there less female entrepreneurship in Germany and the UK?
- Why is there much less support for female entrepreneurs in China?
- Why do women in China found businesses despite the double burden of caring for their family and business?
What Can We Gain from Country Comparisons of Female Entrepreneurship?

Our cross-country comparison of female entrepreneurs yields new and surprising insights. First, it is puzzling to note that there are more female entrepreneurs in China than in the UK and Germany, as a percentage of overall start-ups, despite the public policy landscape being much less favorable. Second, perceived gender roles vary significantly in the countries but seem to influence women in China to a lesser extent than women in Germany. These findings seem to resonate the ongoing debate about the effectiveness of public policies in promoting entrepreneurship (Shane, 2009). Do policies aimed at supporting women increase or decrease the rate of female entrepreneurship? From the comparison above, it might just seem as though extended maternity leave and household support might, if not actively decrease, at least leave female entrepreneurship rates stagnant. What might be the reason for this? Could it be that women who are “spoiled” with extensive support do not feel the pressure or “hunger” for achievement, or even the financial need to start a company and grow it? Within our study, we asked women about their goals for the company, and here, too, saw striking differences. Women in Germany aimed to accomplish something for themselves, following dreams with less of a drive for extended growth or personal wealth: “For example, or something like this … and [many women] do this, because they need flexibility after having children or so. Well that’s what I perceived, that there were so many [women], that this applied to, […] they did not have the ambition to grow bigger” (Lena, Germany).

Chinese entrepreneurs, however, were more dedicated to reaching ambitious goals. They seemed more pressed to achieve something, perhaps due to a less comfortable living situation and high societal pressure: “And then keep the company, keep your business, and run as fast as you can. And that will make your company go to the next stage. […] If I wouldn’t have changed just like a few years ago, like last year, what we have done, I think that would have been it” (Ai, China).

Thus, would it be better to provide less support to women, forcing them to work harder to earn a living and balance family and work? For instance, despite having almost nonexistent mothers’ protection policies, the United States has a high rate of women returning to work soon after childbirth and a high rate of women in management positions. Hence, less family friendly policies and support mechanisms could indeed be one of the reasons for increased workforce participation and founding activity of women in China. However, in this context, we need to ask ourselves, where this thought experiment might lead us. What should be more important to a country when considering public policy? Should we care more about economic performance or individual well-being? Is the primary aim to increase a country's output and create equality in numbers or aiming at creating equal opportunities and increased well-being of men and women? These are vital questions to consider not only for local governments but also for women support networks and entrepreneurship advisors. By further exploring this contradiction and better understanding their own goals, all actors within entrepreneurship can improve support programs and results. Practitioners might consider two things: On the one hand, a high rate of female entrepreneurship is not necessarily a sign of success, as individual well-being and happiness should also be considered. On the other hand, policies should not make it too easy for aspiring entrepreneurs to found their business, as some kind of “hunger” for achievement, and foolishness is needed to succeed. Hence, these two sides should be weighed against each other when making decisions.

Conclusion

Comparing female entrepreneurship in China, Germany, and the UK, we illustrate how many facets of entrepreneurship in general, and female entrepreneurship in particular, are still hidden underneath our common understanding of “the entrepreneur,” and what policies might help or hinder women in this context. The most surprising here might be that what we would expect to be more effective in creating new businesses (high government support and modern family concepts) did not prove to be true. There is still a lot we need to learn about female entrepreneurs around the world, and more comparative research is needed. Introducing the discussion around the effectiveness of policy support into female entrepreneurship and asking whether countries should focus more on increasing their economic performance or supporting the well-being of their people, we finish on an open note, leaving it to the reader and future research to explore this dilemma.
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References


Introduction

We discuss how gender diversity in the workplace is managed (or not) within a non-traditional environment, specifically a UK defense company, aiming to gain an understanding of the impact on female employees. We argue that there are still remnants of bias – both conscious and unconscious – within the workplace, and some of the female participants felt that discrimination is embedded in the corporate culture. Our study revealed that there are currently no female role models within the senior ranks; and few women had progressed into middle management. We position the study within debates around diversity and inclusion and human capacity development in the UK defense sector in general, and specifically the armed forces. We also show how issues of equality are addressed in diverse ways, through legislation and gender quotas, and emphasize why achieving and safeguarding gender equality is important to practicing managers.

Women Limited to Stereotypical Roles within the Organization

In the UK defense industry, the Ministry of Defense is addressing inclusion by mainstreaming gender policy development processes and is committed to undertaking an Equality Analysis every year. In 2010, the Equality Act required all public institutions to have in place diversity strategies and be aligned with growing the numbers of previously marginalized groups to represent the current population of the UK. There is currently a target to increase female personnel to 15% of the total armed forces (army, marines, RAF) intake by 2020.

This poses a serious challenge to the paternalistic environment in the UK defense sector organization, which is the focus of the study. Although women are rated better than men on key leadership capabilities, only 4.9% of Fortune 500 CEOs and 2% of S&P 500 CEOs are women (Zenger & Folkman, 2019), which is also true in the defense industry and especially in the company where our study was conducted. There are only three women currently in executive positions and there is no female representation at the board level, despite the company’s rhetoric to acknowledge that “a diverse workforce frequently drives change and innovation which is of paramount importance within the company” (Company’s public statement).

Gender stereotyping can produce career-hindering judgments with gender bias to have been acknowledged to have had an impact on the lack of upward mobility of women within the organization and the dearth of women in senior management positions.

This results in women being underrepresented in decision-making positions in supply defense contracts. Beyond differences in contexts, organizational and national (Georgiadou, Gonzalez Perez, & Olivas Lujan, 2019), this common phenomenon reflects the masculinization of governance in the defense industry, resulting from a long record of male-dominated knowledge production. Armed forces and the defense sector are largely staffed by men and exploring decision making and governance
from a gender perspective can provide insights into change efforts to support inclusive sustainable development.

**Women’s Feelings on Being Valued (or Not) by Their Organizations**

At the macro level, despite an abundance of legislation and gender quotas which promote equality in the workplace, pay and promotion prospects for female professionals in the defense industry are inferior to those of men. The careers of women in this field are not only mediated, but also constrained by policies and the status quo as well as other inter-related aspects such as age and/or migrant status. It is also notable that meso level factors, including leadership opportunities and experiences, career guidance, and family influences, can have subsequent implications for micro level factors. Access to “social capital,” which is the aggregate of the resources linked to membership in a group, is frequently the privilege of the dominant, often white male group.

In gathering evidence about heterogeneous female experiences of gender equality, we draw on the reflections of 406 female employees working at a UK defense company. The mixed-method case-study sample consists of employees at various levels and of varied demographic characteristics, thus offering insights into diverse responses. The findings of our study (established through exposing the qualitative data to a grounded analysis), suggest that having a gender quota could be tricky, which runs counter to current national defense staffing plans to establish quotas to appoint more women. Employees stated that, even though they feel safe when their company is publicly demonstrating that they are aiming to recruit more females in the workplace, the management needs to be careful not to lead into a “she only got the job because she is a female” thought loop. Female employees generally agreed that hire and promotion based on merit was more important than based on the obligation to improve the gender statistics. Conversely, female employees emphasized the importance of aligning the gender distribution of people with engineering qualifications with the corresponding representation in the workplace. Despite women’s engineering qualifications, their roles were often in gender stereotypical functions. Female employees further argued that policies for hiring and promotion procedures needed to be transparent and fair and not be viewed as management simply meeting gender quotas and pushing equality agendas. Further, women themselves felt they could not openly support gender equality as this would undermine their professional competence and identity. This resistance to ‘gender aware’ policy making again runs counter to national defense policies to mainstream diversity and inclusion (Ministry of Defence, 2018).

We conclude from these findings that women often feel they are not listened to or valued even when they have defense engineering qualifications. In fact, they feel that the company is comfortable with women in certain sectors, e.g., Human Resources, Major Equipment Purchasing, Business Support Office, but not as comfortable in technical roles. Hence, women in technical roles, are likely to fall out of the ranks as they ascend the corporate ladder. More broadly, articulating a gender unaware philosophy, we can see that for women to climb the ladder in this company, and the defense sector in general, they need self-reliance, as there is a lack of drive on the part of the company to ensure that the board and senior level positions are represented equally by women.

**Gender Equity Issues within the Organization**

The reality of male-dominated industries requires women to assert themselves and advocate their professional value and, where appropriate, commit to the “silencing” of male-based development strategies. This stems from the plethora of challenges women working in these industries face, including pervasive stereotypes, such as that of the caring mother or office housekeeper. In this section, we discuss the obstacles women face working in the male-dominated workplace culture, as women are often perceived as less technically competent.

Drawing on evidence from quantitative research surveys of the same sample, we find that women are being caught in a territoral workplace, with ongoing struggles for power, colleagues leaving because of their family responsibilities, and the perception that they are still being treated differently because they are women. Female employees who had left the engineering company cited lack of confidence, intimidation, and isolation as the rationale behind their decisions to leave. Our evidence suggests that a lack of role models and mentors is also a key factor in female employees’ feeling of isolation. If there had been mentoring programs in place that connected female professionals, levels of retention would have possibly been higher. Furthermore, these departures often reflect frustration among women about the challenges of a male-dominated organizational culture where they feel they have to prove their competence ad nauseam.

Female employees felt that there were fewer opportunities for them to step into more senior positions due to gender stereotypes, with some of them considering leaving their current job role because of barriers to career progression. The company had supported the development of a women’s network, and many felt the network was ineffective as it was an informal grouping. For example, female employees argued that previously asking to work from home was often associated with the responsibilities of care and motherhood. By contrast, requests from men to work from home were assumed to imply a need for more space for them to be able to concentrate and hence produce more.
There is therefore a culture that represents “gender conscious unconsciousness,” that is, showing awareness of gender disparities, but not articulating this openly (Metcalfe, 2008). That puts more pressure on females when working from home to go over and above to make a statement that they are indeed working, as they are often perceived by the management to be less likely to work extended work days.

In light of this, the pressure of being in the minority could be exercised as an extra pressure, creating a feeling that a woman within a male dominated environment has to work harder, as any likely failure or lack of achievement will have an impact on the reputation and/or perceived value of all women within the workforce. There seems to be a background awareness that female employees need not to fail, as this could reflect badly on the small female population.

What Can Be Done?

In July 2019, General Electric (GE) Company announced a gender diversity target: a goal to hire 20,000 women in engineering roles by the year 2020. This was a significant stake to stress GE’s position on the business benefits of gender equality. Similarly, Kathy Warden’s ascension in the summer of 2019, implies that four of the five largest defense firms in the United States – Lockheed Martin, Boeing’s Defense Arm, Northrop and General Dynamics – will be led by women. These initiatives are a forerunner of solutions to frame gender equality and international business in the context of talent and merit.

Our study highlights the engrained stereotypes about women being able to take on defense engineering careers and of organizational barriers to career advancement. Why is this study important in advancing understanding of international business and gender and diversity issues? The defense sector is a growing field of inquiry for international business as international relations and relationships are stressing increased commitment to nationalist agendas, and likewise associated capacity building of defense sectors. While multinational corporations (MNCs) have been argued as powerful stakeholders in guiding foreign direct investment, and in diffusing assumptions about gender practices and gendered global norms, there are certain international business sectors that will remain strongly influenced by government, the defense industry being one.

This article re-examines the clear under-representation of women in defense industry key-positions, including management. Though participants in our research were both interested in and capable of accessing the ranks of power, they were unable to break the glass-ceiling stemming from prejudiced stereotypes. Ignoring gender inequality issues results in costs measured in time, money and effectiveness. Arguing for gender equality in the workplace is vital to a healthy and growing defense sector: harnessing people’s skills and talents regardless of their gender or race can turn the organization into a strong rival. In fact, the economic case for gender equality in the EU estimates that by 2050, improving gender equality would lead to an increase in EU (GDP) per capita by 6.1 to 9.6%, which amounts to €1.95 to €3.15 trillion (European Institute for Gender Equality, 2017).

This raises the important question of how do organizational and governmental stakeholders shape dialogues of gender and diversity in international business and the defense sector? How are these dialogues translated and understood by international relations partners?

In the UK defense sector, organizations, together with all public administration departments, are required by law to put in place diversity and inclusion policies, and measures to tackle exclusion, as outlined in the 2010 Equality legislation. The language of diversity and inclusion is now part of the legislative mosaic and wholly legitimized in government policy planning. The MOD states that “operational effectiveness depends on cohesion and teamwork, which are enhanced by treating everyone fairly, with dignity and respect” (Ministry of Defence, 2018, p. 15). While operation effectiveness is stressed, the legislation emphasizes the importance of inclusion as an organization and society ethic. This moves the debate way beyond the ideas that diversity is just good business practice. The debate about quotas remains complex, and in the UK context quotas are advocated in the public sector, but not so in the private context. How will the international business defense sector respond to a growing concern about women’s inclusion, with legislation that advocates quotas?
Conclusions

Our findings could be useful for policymakers and managers alike. From a practical point of view, the results initiate the discussion on how the level of gender equality awareness and approach in the defense industry could be used as a predictor of leadership effectiveness, job satisfaction, and work–life balance; knowledge which could potentially translate into greater synergies between diversity and human resource managers and defense policymakers. At the same time, the findings also point toward the possible “signaling” power that gender equality cultures have for current and potentially future employees: a firm with a demonstrable interest in promoting and establishing gender equality is likely to pay greater attention to the employees’ well-being as well. Knowing that it costs British businesses four billion pounds each year to replace staff members (Unum, 2014), our findings could carry considerable importance to firms seeking to reduce turnover.

A way forward is to convince the international defense industry of the value of equality and inclusion in their governance defense planning. Importantly, senior business leaders need to appreciate the governance policies of the defense sectors in different countries. We have illustrated that the UK is addressing diversity and inclusion in different ways. Consequently, there is a need for international business leaders to appreciate the myriad of ways in which gender diversity issues can be addressed and challenged by corporations in the global economy.

References


Endnote

1 https://fairygodboss.com/articles/ge-hopes-new-goals-will-narrow-stem-gender-gap

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The goal of this short article is to emphasize the ways in which the quantitative dimensions of language could help multinationals and foreigners in general to understand gender roles at the individual and society levels. Having an easy tool that captures gender roles but is not affected by current socio-economic cycles is crucial for preventing mistakes when conducting international activity. In this way, grammatical gender marking is important because of how the most significant aspects of culture in any society are gender roles. Without understanding the expected gender roles inherent in their counterparts and/or host societies, foreigners can make mistakes that can be costly at the individual and/or organization level. The roles of women and men in society have affected every civilization without exceptions via the cultural values and practices attributed to their gender. All of the major seminal studies of survey-based cultural dimensions include a dimension of gender (e.g., Hofstede, 1980) to highlight the importance of being aware of gender roles during business transactions. Moreover, because gender roles are so controversial and important in most societies, taking the wrong approach (from the viewpoint of the host society) may increase tension and conflict that could negatively impact the organization’s goals and outcomes.

In recent years, a new quantitative tool emerged to capture gender roles in society based on grammatical gender markings in the linguistic structures of a language. The quantified dimensions of culture are important for academic research in the IB field, but nonetheless it is important for practitioners to have an objective and easy tool to rely on as the base for understanding gender roles in host societies. In particular, language has a significant impact on markets and organizations, and the grammatical gender marking method of evaluating gender roles in society quantifies gender structures in such a way that it can be used by academics in empirical research but can still be used by practitioners to identify the gender roles effecting foreigner counterparts and host societies.

Grammatical gender markings have a few major advantages over the traditional survey-based dimensions of culture. First, survey-based instruments are susceptible to severe endogeneity problems through the impact of current socio-economic conditions. Conversely, linguists largely agree that the grammatical gender structures of a language are among the most stable features of a language’s grammar, one that is inherited from the distant past and capable of surviving for thousands of years (Wichmann & Holman, 2009). This makes these grammars exogenous to changes in current socio-economic forces like business cycles or national news covering specific gender-related topics like rape or abortion rights.

Second, using grammatical structure could be conducted at the individual level without assuming a one-dimension score of culture for every individual in a country. For example, Hofstede (1980) has one Masculinity dimension for Nigeria, but Nigeria is a heterogeneous country with regard to gender roles. By using grammatical structures, we can capture differences in gender roles among ethnic groups, such as the Hausa and the Yoruba. Hicks, Santacreu-Vasut, and Shoham (2015) demonstrate that linguistic gender marking could capture gender roles at the individual level if the language that the individual speaks at home—or more importantly, the native tongue of the individual—is identified. This helps to avoid the homogeneity assumption for all the individuals in the nation/society that the survey-based dimensions of culture involve. Managers in multinational organizations seek accurate and easy ways to use tools to capture the cultural mindsets of employees from different cultural backgrounds. The survey-based dimensions are easy to use, but averaging at the national level reduces the tool’s effectiveness.
accuracy. The grammatical gender marking index that captures gender roles is easy to use and tailored to the regional/individual level.

Third, the World Atlas of Linguistic Structures (WALS) contains information on the structures of hundreds of languages, allowing researchers and practitioners to have much more detailed observations with a higher diversity than the survey-based cultural dimensions, which are available for far fewer societies and nations (e.g., GLOBE has 62 societies). This relates to the accuracy advantage of grammatical gender marking in that it avoids averaging the survey-based dimensions at the national/country level.

Finally, Santacreu-Vasut, Shenkar, and Shoham (2014) and Shoham and Lee (2018) provide preliminary empirical results showing that the grammatical gender marking method is a better predictor of gender roles in society than the traditional survey-based dimensions offered by Hofstede (MAS) and GLOBE (Gender egalitarianism). This result is not surprising given that grammatical gender marking probably captures ancestors’ culture reinforced by cognition; in other words, it captures core values that are not affected by the current socio-economic conditions.

The following short description of grammatical gender marking explains the fundamental points of the method. (A more detailed explanation can be found in Santacreu-Vasut et al., 2014, and Gay, Santacreu-Vasut, & Shoham, 2013.) WALS displays four grammatical structures related to gender. The first structure is Sex-Based (SB) gender (Corbett, 2011). A language’s gender system can be based on biological sex or some other factor, like the distinction between humans and non-humans, or the distinction between animate and inanimate objects. For instance, the Danish and Swedish languages make distinctions that are not sex-based, but gender in English is based on biological sex. SB is a dummy variable that equals one for languages with a gender system based on biological sex, and zero for languages that are not.

The second structure is the number of genders (NG; Corbett, 2011). The number of genders is based on the quantity of noun-types that have different agreements; for example, French has two genders – “feminine/masculine” – whereas English includes a “neuter” gender. Some languages have many more, such as Nigerian Fula, which has 20 genders. NG is a dummy variable that equals one for languages with two genders, and zero for languages with fewer or more genders.

**Figure 1. Grammatical Gender Marking**

![Figure 1. Grammatical Gender Marking](image)

Note: The four gender structure Intensity Black countries means Dummy equals 1 (higher gender marking in the grammatical structure).

Source: Gay et al. (2013)
The third structure is Gender Assignment (GA; Corbett, 2011), which captures how a speaker assigns nouns to the genders defined by the gender system of that language. A gender assignment system provides a set of rules to help the speaker make appropriate agreements. Assignment can depend on the meaning (semantic) or the form of the noun. For example, a “table” is neuter in English since the language assigns gender only on semantic grounds. However, it is feminine in French, which assigns gender to even nouns that do not have a biological gender. GA is a dummy variable that equals one for languages whose gender assignment system is both semantic and formal, and zero otherwise.

The fourth structure is Gender Pronouns (GP; Siewierska, 2011), which captures gender distinctions in independent personal pronouns. Some languages have no gender distinction in pronouns; other languages have gender distinctions only in third-person pronouns; and still others have gender distinctions in the third person and in the first and/or the second person. For example, English distinguishes gender only in third-person pronouns (“she,” “he,” and “it”). GP is a dummy variable that equals one for languages with gender distinction in the third, first, and/or second person pronouns, and zero otherwise.

From the four grammatical structures presented above, a gender intensity index (GII) was created, which is calculated thus: GII=NG+SB+GA+GP, where GII can be any number between 0 and 4 (GII ∈ [0;1;2;3;4]). A higher score indicates greater emphasis placed on gender roles in a society. A score of 0 means no gender marking in the linguistic structures. A score of 4 means that all four structures in the language that are related to gender are based on biological sex. The maps in Figure 1 show the dummy variable for each of the four gender structures for each country’s dominant language.

Table 1 shows the GII for a few selected languages. The GII per country based on the dominant language could be obtained from Appendix B in Drori, Manos, Santacreu-Vasut, and Shoham (2019). For example, German has a GII of 2. German has a sex-based gender system (SB = 1) and assigns gender on the basis of both semantic and formal rules (GA = 1); however, German assigns gender to third-person pronouns only (GP = 0) and does have a neuter gender (NG = 0).

As can be seen in Table 1, languages like Arabic, Spanish, and Hebrew have the highest grammatical gender marking replicating higher gender role societies than societies using Finnish as the dominant language. Corbett (2011) argues that gender “is the most puzzling of the grammatical categories,” adding that whereas gender is evident in most phases in some languages, it is absent from other languages. Grammatical gender distinctions in languages arose from evolutionary pressures concerning specialization, reproduction, and the division of labor, which suggests that the use of gender in language may act as a cultural marker for historical gender norms. The persistent impact of ancestors’ cultural values, marked in the grammar of a language, are reinforced by the impact of language on cognition. As grammar influences speakers’ cognitive framework, it forces them to encode particular characteristics, and therefore shapes their mental representation of socio-economic reality.

As claimed above, a growing body of literature across different fields over the last decade uses grammatical gender marking to capture gender roles in a society. In the following paragraphs, I will present an overview of three papers that have already used grammatical gender marking and found interesting applied results that can be used by practitioners, policy makers or by instructors of IB looking for a different angle from which to approach cultural differences.

First, Santacreu-Vasut et al. (2014) show that grammatical gender marking of the dominant home country language of an MNC’s HQ impacts gender staffing of subsidiary boards. Also, societies with higher linguistic gender marking in the dominant language have significantly lower female participation on boards of directors, executive suite, and smaller female-led corporate teams. They conclude with a practical conclusion for multinationals: “The findings reinforce the need to view language design as a vital strategic, as well as operational, tool for multinational companies.” One possibility could be that MNC’s should look at the GII of the subsidiary host country/region/county to better understand the gender roles in the host society. As I mentioned earlier, the GII has major advantages over survey-based dimensions in capturing local gender roles. Understanding the local gender roles of host societies is an important step in adjusting policies and practices to the local environment. This could also prevent conflicts and other problems that might surface due to a lack of knowledge of a host society.
Second, Shoham and Lee (2018) show that higher grammatical gender marking of the dominant language in a country increases the wage gap between genders. The finding also shows that grammatical gender marking has an indirect impact on country general income inequality through the gender wage gap. This emphasizes that understanding grammatical gender marking also has implications for policy makers that are interested in reducing society inequality and/or gender wage gaps.

Third, Drori, Manos, Santacreu-Vasut, Shenkar, and Shoham (2018) demonstrate the importance of grammatical gender marking for the growing field of social enterprises. The paper engages with one of the major goals of microfinance organizations attempting to reduce gender-based financial exclusion. In their conclusion for practice, they claim that “Interventions designed to improve state capacity are likely to be most beneficial in countries with high gender marking, because in those environments reducing the cost of providing microfinance loans by improving market infrastructure is particularly beneficial.”

To conclude, grammatical gender marking is an important method that improves upon previous methodological attempts to capture gender roles and should/could be used as a major tool in empirical research of gender related issues in society and organizations like board composition and inequality between genders. Nonetheless, it is a simple tool that can help multinationals and practitioners in understanding gender roles in foreign societies. Understanding the gender roles in host countries could prevent costly mistakes that are related to one of the most controversial parts of culture.

References


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Gender Fairness in National Pensions

John W. Goodell, The University of Akron, USA

Gender Fairness and Pensions

The intersection of international business (IB) research and public policy is a relatively new and growing area of interest. Public policy can affect the behavior of private firms, and, in turn, firms can impact public policy; so, shaping social outcomes. Further, issues raised by IB-focused public policy research can provide very important context for private managers, even if such research does not yield one-size-fits-all answers—or it uncovers issues difficult to solve.

This short article suggests a relationship between gender fairness, national fiscal challenges, and pension design. The particular focus is on how the degree of connectedness of pension benefits to earnings history impacts both gender fairness and fiscal sustainability. In a world where there is a varying, but economically meaningful, gender wage gap across countries, disconnecting pension benefits from earnings history has the potential to provide both greater gender fairness and greater fiscal sustainability. However, as firms design private benefits to optimally offer utility in tandem with national pensions, private firms can be expected to compensate by increasing the connections of their benefits to earnings history. The net result is a potential dampening of benefits to gender development as a result of pension design changes.

Three Pillars of Pension Design

In order to consider the intertwining of gender fairness and pension design it is helpful to overview the World Bank's concept of three pillars. As private savings and public pensions are generally substituting, the design of public pensions influences the comparative utility of private benefits. This is because public and private-sector pensions, along with individual voluntary savings, mutually support each other. As first suggested by the World Bank, national pension systems can be categorized into a three-pillar grouping: (1) a non-contributory basic pension; (2) forced retirement savings; and (3) voluntary retirement savings. Often the first pillar performs an important social service as it protects the elderly from being forced to live below a minimum consumption level, while pillars 2 and 3 generally protect against a post-retirement decline in consumption. The second pillar usually provides benefits dependent on the level of contribution only to those that have contributed. The three pillars support each other, compensating for each other's weakness, and borrowing from each other's strengths. From this perspective, research into the factors that shape the design of public pensions is critical to informing those that design private-sector benefits. And, as discussed further below, when national pensions are redesigned to have greater gender fairness, other pension pillars will be expected to change and adapt to form a new three-pillar support structure.

Public Pensions and Fiscal Stress

Additionally, there is also a potentially favorable relationship in pension design between gender fairness and fiscal restraint. Given the great difficulty that many societies are facing, this can lead directly or indirectly to incentivizing changes to national pensions that further gender fairness. I discuss this further below in this article. But first, it is relevant to briefly note the fiscal difficulties nations are facing with regard to national pensions.

Currently, most developed economies, as a result of declining birth rates and increasing life expectancies, face significant demographic changes in the form of increases in the proportion of older people. Those retired must be supported in part by taxes on working adults, as individual retirement savings are often insufficient. Given projected demographic changes, pension-system reforms are accelerating as developed countries seek to forestall rising fiscal burdens (Lindbeck & Persson, 2003).

In reforming their pension systems, however, countries have followed different paths. While some countries put more weight on superannuation systems that pay pension rates independent of a retiree's earnings history, other countries rely more on earnings-related benefits. The latter helps maintain
retirement consumption levels that reflect some proportion of pre-retirement income. The former seeks a simple path toward retirees not being wards of the state. This degree of so-called progressivity varies across countries. However, it is possible that fiscal austerity and gender fairness in pension design are not necessarily tradeoffs as discussed in the next section.

**Public Pensions: Progressivity and Gender Fairness**

The degree of association of pension benefits with earnings history is an important feature of pension design. This quality of pension design, a measure of its redistribution, is known as pension progressivity. Pension progressivity regards more specifically the degree that pension benefits are determined by an individual’s earnings history. A 100% progressive national pension would have no connection to earnings history and would be the same for all citizens of a respective country. This measure varies widely from a pension progressivity score of 100 for countries such as New Zealand, where national pension distributions are the same for all citizens, to scores close to zero for countries such as the Netherlands where there is wide inequality of national pension distributions (due to an association with earnings history). To illustrate, the pension progressivity of select countries is shown in Figure 1.

Concomitantly, pension progressivity is closely linked with issues of gender fairness and gender development. Pension progressivity relates to gender issues because women generally have lower lifetime earnings. There is a disadvantage to women of pensions with a large earnings-related component since women generally earn less because of the physical burden of child-bearing (St. John & Willmore, 2001), as well as gender wage gaps. Therefore, if pensions are not progressive, and rather indexed to earnings history, women will necessarily have lower pensions. Consequently, some advocate for more progressive pensions because they are seen as providing a gender-equal distribution of tax dollars that do not disadvantage women for having lower lifetime earnings (e.g., Ginn, Street & Arber, 2001; St. John & Willmore, 2001; Schmall, 2002). Schmall (2002) notes the poor economic security of women as they age under pension systems which distribute benefits based on historical individual earnings. This problem is compounded by the higher life expectancies of women. Schmall (2002) suggests that women will be more favorably disposed toward government involvement in pensions because of self interest in resolving these income

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*Source:* 2013 OECD Earnings Distribution Database
inequalities, whereas for similar reasons men will be more inclined to view government involvement in pensions negatively as a source of higher taxes.

Questioning the fairness toward women of earnings-based pension systems, Ginn et al. (2001) suggest that flat-rate pensions are potentially a good way to reduce the impact of the child-caring role of women on pension income. O’Rand and Henretta (1999) note that wage inequality is highly correlated with pension inequality, while Lazear and Rosen (1987) posit that inequality in lifetime earnings is highly correlated with pension inequality. As women across the globe typically receive lower wages and work fewer total hours, women will receive less pension benefits from earnings-based pension systems. As women live relatively longer than men, the gender disadvantage toward women of associating pension income with earnings history will be exacerbated.

Of course, whether pensions ought to be connected to earnings history, or not, is controversial. As noted by, for instance, Valdes-Prieto (2000), disconnecting pensions to earnings history might be seen as disincentivizing work contribution or encouraging moral hazard with regard to individual retirement investments. Others might advocate for progressive pensions because they are generally less fiscally costly. Indeed, pension design, and reform and retrenchment is typically highly politicized (Anderson, 2001).

**Progressive Pensions: Gender Fairness and Lower Cost?**

Net replacement regarding pensions has to do with how much of your pre-retirement levels of consumption are preserved by the pension plan. More progressive pensions consistently have much lower net replacement. Why? The answer has to do with examining, from a public financing perspective, what the goals are of differing public-pensions designs. Is the goal to help citizens preserve pre-retirement levels of consumption? If so, there must be a connection of pension benefits to earnings as earnings determines consumption prior to retirement. Also, such a pension must have a higher replacement rate and must be more fiscally burdensome because preserving pre-retirement consumption is much more fiscally expensive than simply what it would cost to keep retirees from being a burden to the state.

On the other hand, progressive pensions such as in New Zealand where everyone post-65 years of age receives annually one third the national average wage allows the government of New Zealand to inexpensively keep retirees off the street. There is nothing inherent to prevent societies from having progressive pensions with high replacement rates. It just wouldn’t make sense. And populations would not be expected to support high universal pension benefits.

In sum, because progressive pensions are fiscally affordable, gender fairness and fiscal sustainability are likely complements rather than substitutes.

**Progressive Pensions toward Reducing the Gender Pay Gap: A Catch-22?**

It might appear, therefore, that progressive public pensions are an ideal combination of fiscal affordability and gender fairness. However, in the presence of a gender pay gap, gender differences in pension wealth will be somewhat more challenging to address. This is because, in the presence of progressive public pensions, earnings-related private pensions will correspondingly become more valuable. The three pillars will adjust to each other. The more progressive the public pension, the more valuable to workers will be earnings-related private pensions in order to preserve pre-retirement levels of consumption beyond minimum sustainment.

Clearly, private firms are in a very different position than national governments to address gender equity in pensions. It is difficult to envision a private firm offering flat pensions unrelated to work salaries, with the offering of pensions often seen as a way of attracting employees.

Further, public pensions can be supported, as in New Zealand for instance, by nation-wide taxation. Private pensions, on the other hand, are naturally linked to worker contributions. Consequently, if there is a gender wage gap, there will be a gender gap in pension replacements as well. Additionally, since private and public pensions are in some measure substituting pillars, the more a national pension is a flat progressive system, the more private nonprogressive pensions will be valued by employees. Indeed, firms should be cognizant that, up to a point, private pension systems will provide more utility to workers when the respective national system is more progressive. This is for two reasons: 1) flat pensions have low replacement rates and so are unsatisfactory vehicles on their own to preserve pre-retirement higher levels of consumption; and 2) those that are working will naturally value having benefits associated with work history. At the end of the day, there is a challenge to policy makers to address gender equity in pensions: more progressive national pensions will encourage substitution with nonprogressive private pensions that have replacement rates that reflect gender pay gaps.

And so, while the world may well be turning to flat pensions to improve fiscal balances, this will likely not be a complete answer to assuaging of inequities created by gender pay gaps and gender differences in lifetime earnings. But this is not an entirely inescapable conundrum in all contexts. In environments of particularly high gender pay gaps, progressive pension
systems appear to make sense, particularly for nations where progressivity is lacking in other vital respects.

The USA comes to mind in this regard. Its public pension system, Social Security, is strongly tied to earnings, with private benefits, including health care, tied to private employment. Additionally, in the USA, the cost of university education, the vehicle to gain better employment, and so better pension benefits, is also high. The institutional structure of the USA is particularly vulnerable to a gender pay gap amplifying through the pension system. In this regard, it is interesting to reflect on the current fringe candidacy for the US presidency of Andrew Yang. The widely observed focus of his campaign is an advocacy of a universal wage of $1000 per month for all US citizens. This seemingly radical suggestion, that few would think could or would be ever implemented, is to some degree analogous to taking a slightly more generous payout to that of the New Zealand superannuation and extending it considerably downward from a 65-years-old cut-off to being applicable to all adults. An extreme policy notion, but perhaps not so crazy when compared to progressive national pension systems already implemented in a number of countries.

At the end of the day, progressive pensions may be less effective to mitigate gender pay gaps and gender differences in lifetime earnings than might at first appear, because of the substitutability of private pensions. However, flat pensions make sense in environments of high gender pay gaps and other forms of inequality, or in environments where there are significant intertwinements of benefits and employment. Alternatively, in environments of less inequality, or where there are institutions of progressive public benefits, private earnings-associated benefits will likely be more valued by current or potential employees.

References


Endnotes

1 Sometimes this measure alternatively considers the relative egalitarianism of national pension distributions (including mandatory private systems) to the egalitarianism of earnings.

2 Willmore (2000) posits that this view is fundamentally regressive as any movement of federally allocated funds for pension away from flat pensions will go to finance benefits that go beyond simple minimum adequacy, i.e., to fund higher post-retirement consumption of the relatively wealthier taxpayers. On the other hand, Feldstein (1998) asserts that the safety net of a minimum pension encourages neglect of retirement saving. Public pension design certainly influences private savings rates (Farhi and Panageas, 2007).

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In the article “Gender Fairness in National Pensions,” John Goodell suggests a relationship between gender fairness, national fiscal challenges, and pension design. This article compares various country-level approaches to pension design to uncover how different approaches systematically discriminate between genders. Illustrative differences between New Zealand and the United States demonstrate gender gaps.

Overall, we hope you find this special issue of *AIB Insights* provides guidance in addressing important issues related to gender in international business, while also encouraging additional research into this important area.

**References**


