In the US, the focus has shifted away from quotas and toward companies guaranteeing a fair and equal hiring process for all. (UBS)

Do we still need a gender lens in investments?

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The UBS Chief Investment Office takes a look at whether we still need a gender lens in investing after about two decades of its application.

We believe diverse companies that are properly managing human capital should enjoy several benefits over the longer term. Indeed, various metrics, from profitability to innovation, highlight the benefits of having diverse teams. And these advantages should grow over time, given the increased focus from regulators, stakeholders, and academia on diversity and the demographic changes unfolding across the world.

Favorable regulatory momentum is important to this topic, but we see differences across regions. The European Union, for instance, is asking companies to ensure at least 40% of non-executive directors are women and at least 33% of directors are women by 2026. The Japanese government has mandated a 30% female board member ratio for listed companies by 2030. And in the US, the focus has shifted away from quotas and toward companies guaranteeing a fair and equal hiring process for all. Regulations aside, diverse companies should be better able to tap into a “diversity dividend” and yield the benefits of effective labor force management.

We look at the road to parity through four indicators relevant to companies and mostly comparable across economies. The first is board-level gender balance. We see perhaps the strongest evidence of positive progress in the increase in representation of women leading the boards of the world’s largest companies. In 2022, 45% of new board members of Fortune 500 companies were women, and the overall percentage of women on these boards reached 30%. Among constituents of the MSCI ACWI Index, the percentage of female director seats increased in 2023 to 25.8%, up from 24.5% in 2022.

The second indicator is workforce participation. The global rate of female labor participation flattened out to around 50% in the 1990s and has remained static since. Where the gender gap has decreased, it is often because fewer men have joined the workforce instead of more women doing so. An increase in female workers matters from a macro perspective, as more women participating in the formal economy can be additive to GDP. Countries can increase GDP per capita by 20% if women are employed as much as men, according to the World Bank. This also matters to investors, as higher labor participation by women implies easier attainment of diversity for companies. In tight labor markets—as we have seen in the US in the last four years—human capital policies can help identify and retain talent, and we believe they will continue to be important until the labor force participation gap closes.

The third indicator is gender pay gap, which is currently at 23%, with women earning 77 cents for every dollar that men earn on average. In the US, data from the Bureau of Labor Statistics affirm that progress toward closing the pay gap has been helped by rising real wages for women and a decline in earnings for men with no college degree. However, the gender pay gap often widens for women aged 35 to 44 who have children at home. Companies that enforce equal pay policies and offer parental leave and benefits to all employees may gain a competitive advantage in a tight labor market, potentially boosting performance.

Finally, the fourth indicator is wealth transition. McKinsey estimates that by the end of the decade, women will inherit USD 30tr in assets. In addition to controlling assets, women already make nearly 80% of purchasing decisions. Companies should therefore understand, represent, and cater to the needs of their female customers for longer-term success.

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