A Century of Progress:
The Road to Gender Equity

With

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SOLEDAD O'BRIEN: Hi, everybody, and welcome to our special event. It's called A Century of Progress: The Road to Gender Equity. My name is Soledad O'Brien and this year, 2020, marks the one hundredth anniversary of the ratification of the 19th Amendment, which, following decades of struggle and dedication, granted some women the right to vote. It would take decades more, of course, for women of color to overcome discriminatory barriers and achieve full voting rights.

So women have come a long way over the past century but there's still so much work to be done, both in the area of gender and racial equality. Achieving equality lifts everybody up, the entire global economy in fact, and believe it or not, how you invest can make a difference. There's something called gender lens investing, which I had never heard about before now, and we're going to be talking about that a little bit later on this program.

So joining me for this conversation are two leaders from Bank of America whose work has done much to illuminate this conversation about women and gender equality. Savita Subramanian is Head of Environmental, Social and Governance Research and U.S. Equity and Quantitative Strategy for BofA Global Research. Savita, hi.

SAVITA SUBRAMANIAN: Hi, Soledad.

SOLEDAD O'BRIEN: Great to see you. Jackie VanderBrug is Head of Sustainable and Impact Investment Strategy for the Chief Investment Office, Merrill and Bank of America Private Bank. Jackie, it's so nice to see you.

JACKIE VANDERBRUG: Hi, Soledad.

SOLEDAD O'BRIEN: Hi there, so let's get right into it. This global health crisis is like nothing we've ever experienced before. Talk to me about the particular toll that it's taking on women who have historically always lagged behind men, Jackie, when it comes to equality financially and equality really on every other front as well.

JACKIE VANDERBRUG: Yeah, Soledad, it's such an important place to start because as you said, gender equality is good for the economy and it's good for society. Unfortunately, our current situation and the pandemic has illustrated the inverse, which is that when we have economic and social hard times, they are disproportionately borne by women and girls, and I'll give you three examples. The first is jobs, the second is unpaid care and the third is entrepreneurship.

So if we look at jobs, what we know is that women's jobs were 1.8 times more vulnerable in the economic hardship that the pandemic brought forward. ***(Source: "COVID and Gender Equality: Regressive Impact," McKinsey & Company, 2020).*** And while we have seen some return to work, the one demographic that has not shifted in terms of unemployment is young black women. So we very quickly get to it's not just women but it's disproportionately women of color.

Part of that, about a quarter of those job losses are disproportionately because of women's employment in certain sectors that were more affected by the global shutdown. The other is more systemic issues that are related to the roles of gender in society and one of those is unpaid care. So globally women do 75% of unpaid care. You can think of cooking, cleaning, child care, elder care; and in the U.S. that's about two hours more on average a day. ***(Source: "COVID and Gender Equality: Regressive Impact," McKinsey & Company, 2020).***

And then if we look at entrepreneurship, women make fantastic entrepreneurs. That whole movement has been growing, but women historically, whether they are micro-entrepreneurs or high-growth entrepreneurs, have less access to capital. What we really have seen is less access to capital in this downturn and so that is disproportionately affecting women's businesses.

SOLEDAD O'BRIEN: So as sometimes capital access tightens, of course it impacts women who are already behind even more.

Savita, we know that this is the biggest public health crisis of the last one hundred years. Give us a sense of the scope of how – I'm not even sure if the word unusual – unprecedented this is from a fiscal perspective.

SAVITA SUBRAMANIAN: Absolutely unprecedented. By the numbers, this is the worst recession in the post-war era, and we saw the quickest decline in equities, in the equity market that we've ever seen. We saw the quickest entry into a bear market that we've ever seen, and fortunately a pretty strong and quick recovery. But this has really been, I think the nature of this crisis is so different and the nature of the economies are so intertwined today that shutting down every major global region of the world has had sort of an indelible and unprecedented impact on economies.

In particular in the U.S., I think where we saw the hardest hit was within the services sector and as Jackie pointed out, this is one of the sectors that is probably more skewed towards employing women than men, so that was sort of an unfortunate outcome of this type of pandemic is that it hit the services industry harder than any other industry because we're just, we're literally not leaving our homes. We're ordering stuff off the internet but we're not leaving and going to restaurants and hotels and traveling, etcetera. So unprecedented is absolutely the word for it.

SOLEDAD O'BRIEN: So we've laid out some very tough truths, I guess I would put it, tough facts about where we are at this moment. And we know just historically, women are confronted with inequities and have been for a long time, whether it's unequal representation at the higher levels in the C-suite, the wage gap, accumulative lifetime earnings. We know women fall behind on that front as well.

When you are thinking, Jackie, about strategies to better confront these kinds of challenges, what comes to mind? How do you deal with these what seem like big systemic problems?

JACKIE VANDERBRUG: It is important when we're thinking systemically, Soledad, to think long-term. Unfortunately, women have about two-thirds on average of what men have in their 401k balances. So it's important to start saving early and it's important to look at your contribution level because women usually contribute slightly less than men. ***(Source: "Gender Lens in Defined Contribution Plans," Bank of America, 2020).***

The other thing to look at is your goals and your allocation. Women have historically allocated less to equities and that does have a long-term effect in terms of where they land when it comes to retirement. Women are historically considered to be savers and budgeters and men are more the investors. And so that shift of having, taking on that identity of an investor early and being willing to overcome what has been considered a confidence gap.

There is some great news on the horizon. If we look at women under 45, 75% of them say they've managed their own finances. They're twice as likely as previous women to say they're the primary investment decision-maker, so I think we are shifting that identity. ***(Source: "Seeing the Unseen: The role gender plays in wealth management," Merrill, 2020).***

SOLEDAD O'BRIEN: It's so interesting, right, you're talking about framing and narratives and how we think of ourselves as running our finances, and there was a great detail that a hundred years ago, one of the arguments against women voting was that women wouldn't be able to both vote and keep up with their domestic duties and wifely duties, which I mean I find hilarious.

So Savita, talk to me about how women are doing today in terms of impact and influence, like I assume we can confidently say we're managing to vote, keep up with our wifely duties and do even more than that. Where do we, in all seriousness, where do we land in this, our impact today for women?

SAVITA SUBRAMANIAN: Well, one hopes, yeah, I think we've come a long way, baby. So you know it's interesting because if you look at any of the statistics, they are very encouraging. So if you look at the gender pay gap, it's closed demonstrably. Unfortunately, the gap still exists but it's closed pretty aggressively. If you look at education rates for women versus men, we're now at a point where I think back in the mid-90s, women crossed above men in terms of the percentage of individuals in that prime age period with bachelor's degrees.

Women are controlling investment decisions increasingly, so as Jackie points out, I think we're on the road to recovery there. Women generate wealth 1.5 times as quickly as men. ***(Source: Boston Consulting Group, 2020).*** So you know, there are a lot of really impressive statistics out there that suggest that we're on the road to recovery, although we're not quite there yet.

I mean if you look at some statistics like women on boards of publicly-traded corporations or women in management positions, etcetera, or female CEOs, very, very, very low still, but obviously we're making great strides and in particular over the last we'll call it five years.

SOLEDAD O'BRIEN: It's interesting you measure public corporations, because of course there are several European countries that have passed actual laws that require public companies to have a minimum number of women on their boards. They've done a similar thing in California back in 2018, I guess they'd call it a mandate.

Do you think, Jackie, we need more of these kinds of policy initiatives to actually move the needle? Will we get to a day where it's just happening without a policy pushing this number?

JACKIE VANDERBRUG: I tend to be a fan of letting the market take care of things instead of mandates, but for this one I think you do have to back out and say why would there be a mandate? Why do we want women on a board anyway? And the answer is because it drives better decision-making. Diverse groups make better decisions, and it drives innovation and it contributes to the bottom line.

But the other answer is also that the board sets the tone for the company, and it is important from an inclusion and inclusive capitalism standpoint to have diverse boards. So then you're asking the question, "How do we get there faster?" And I land in the camp that the mandates actually help, right, because we have a systemic challenge. And even though in 2019, 50% of the U.S. new directors were women, we're not going to get there fast enough if we don't push forward quicker. (***Source: "2019 Spencer Stuart U.S. Board Index," Spencer Stuart, 2019).***

SOLEDAD O'BRIEN: Savita, I'm interested in understanding, you know, when we talk about equal rights for women, I think often we're talking about almost like a social justice perspective on that kind of conversation, but it sounds like the two of you argue that there is a real impact on the global economy when you're talking about equal rights for women. Can you connect like where do those things intersect?

SAVITA SUBRAMANIAN: Yeah, absolutely. So I think it's really interesting to think about why we want more women on boards. Is it just for the sake of this notion of fairness and equality? Well, maybe, but it also turns out that companies with a higher percentage of women on the board of directors for publicly-traded U.S. companies have historically shown a higher return on equity, lower earnings volatility, better financial performance than companies with much more homogenous boards. ***(Source: "Womentum!," BofA Global Research, March 3, 2020).***

I think another reason that this is important is if you look at companies that are selling to a broad array of customers, but you have the decisions being made by one group of people that all think exactly the same way, you won't get that connectivity with your consumers. So I think it's just that link is very clear to draw out, it's not just sort of a feel-good metric.

SOLEDAD O'BRIEN: In the big picture, not necessarily financially, but in the big picture of sort of the global economy, why does women's gender equality matter? How does it move the needle maybe, you know, outside of just, hey, if we have more women on boards that will be better for the businesses?

JACKIE VANDERBRUG: If you look to what we're -- where we're headed as a globe, you need to look to the sustainable development goals. So in 2015, over 190 countries got together and ratified what is best known, Soledad, as like a strategic plan for the planet, right? ***(Source: United Nations Sustainable Development Goals, Sept. 2015).***

This was a bottoms-up, what is it that is going to allow all of us to prosper. So there are 17 of these goals, it's hard to remember, they're all color-coded. Goal number 5 is gender equality. ***(Source: United Nations Sustainable Development Goals, Sept. 2015).*** And what we know is that goal number 5 is an accelerant for all the other goals. In fact, we're not going to achieve what is anticipated or desired by 2030 without achieving gender equality, right.

Gender equality enables us to address climate change in a more holistic way. Gender equality enables us to address hunger, to address education, to address all of these other things that society wants. The investments that we can make in terms of gender equality enable us to create a world that works for all of us. It also creates a sustainable economy moving forward.

SOLEDAD O'BRIEN: Savita, are you finding that the conversations you're having with people, they're now caring about the gender issue? I mean I think it's fair to say ten years ago as a reporter, we almost would never cover it. Just in terms of what was making news, it didn't matter at all. Has that changed dramatically?

SAVITA SUBRAMANIAN: Oh, absolutely, it's on investors' radars in a very real way, and I think part of that is because of the proliferation of data and disclosure. Companies are talking more about, you know, this gender pay gap and how they're resolving it. Companies are disclosing the statistics in terms of gender stats in different roles and management roles, so there's a lot more information that we have. And I think that investors are also sort of becoming more and more aware of the costs that a lack of gender equality is having on society.

You know, if you look at areas of the world, in most areas women have equal access to education as men. But in certain areas, like if you look at Sub-Saharan Africa, women have far less access to education than men, and if you look at the role that women play in society, they spend -- there is some staggering statistic of you know 40,000 hours a year just moving water around. I mean this is not a good use of time and I think that what that's pointing out is that if we just invest in gender equality, it can have real economic ramifications.

SOLEDAD O'BRIEN: Jackie, let's talk about gender lens investing, as I promised everybody. I have to say, I had never heard of that and then I certainly didn't realize that it actually had been coined like ten years ago by the Criterion Institute. Why don't you start with just what is gender lens investing?

JACKIE VANDERBRUG: Yeah, so the first thing to realize is that it is gender *lens* investing and the lens is really important because it's a lens, not a limitation. If you are able to see gender data patterns, you can see opportunities and you can avoid risk. So really what a gender lens investor means, I am taking gender data and integrating it into my investment process.

Take a look at the research that Savita and her team have done, you know, numbers after numbers in terms of why gender should matter to an investor, why you would want to understand it and it's not small. This is not something that is just about investing in micro-entrepreneurs. It's something that exists across asset classes.

SOLEDAD O'BRIEN: While you're talking, Savita is nodding her head very emphatically, so Savita, let's talk about the data and how sort of the gender lens fits into the overarching conversation about sustainability.

SAVITA SUBRAMANIAN: Absolutely, so you know we've done a lot of work kind of parsing the numbers on, you know, sustainable investing sounds really great but does it actually work. And what we're finding is that sustainable investing and using environmental and social and governance types of attributes, or these so-called non-financial attributes are actually critical. And I think that investors have been thinking about all of these things since the advent of investing, but I think what's happening now is we're more formally incorporating environmental and social and governance types of considerations into our investment process.

So one of the reasons I think this is happening is that today, if you look at the average U.S. publicly-traded company, 80% of its assets are what's called intangible. So these are assets that are based on brand and reputation and intellectual property and non-financial measures. ***(Source: Source: BofA Global Research, Standard & Poor as of 12/31/2019).*** So when we're sitting here thinking about which companies to buy, we really have to shift our focus, or our lens, from thinking about price-to-earnings ratios and leverage ratios to thinking about things like does this company have a safe, stable, diverse workforce? Does this company produce products that are safe for consumers? Does this company have a management team that's aligned with consumers, suppliers, shareholders and buyers? And I think that those are some of the considerations that we're starting to see investors more formally incorporate into their processes.

SOLEDAD O'BRIEN: Interesting, so Savita, we're in the middle of a global pandemic, we've seen the economy is, I'll use the word volatile but I think that's not strong enough. Would, are those companies that have prioritized sustainable growth and are really thinking about enhanced opportunities for people of color, are those companies literally better positioned to deal with the crisis that we're in right now than others, is that what you're saying?

SAVITA SUBRAMANIAN: Well, it just so happens that during this bear market that we just all lived through and during this social pandemic and this unprecedented global shutdown, companies with strong social characteristics, one of which is gender diversity, actually outperformed their peers. ***(Source: "ESG Matters: Bull Market Phenomenon? Quite the Contrary," BofA Global Research, March 25, 2020).***

In fact, what was interesting to note is that companies with good policies around leave and strong and loyal employee bases that were likely to stick with the company during a tough time, those were the companies that actually outperformed the S&P 500 on a sector-adjusted and size-adjusted basis. ***(Source: "ESG Matters: Bull Market Phenomenon? Quite the Contrary," BofA Global Research, March 25, 2020).***

So for me as a quant, it's particularly gratifying to see that if you had bought these companies at the onset of COVID-19 that had, let's call it, more attractive social scores, you would have actually demonstrably outperformed the market by, you know, 5 percentage points in the U.S., 10 percentage points in Europe. I mean it was really an interesting period to look at what happens when you are in a troubled environment. ***(Source: "ESG Matters: Bull Market Phenomenon? Quite the Contrary," BofA Global Research, March 25, 2020).***

SOLEDAD O'BRIEN: It's so interesting because when I deal with my investment manager, you know, I don't think I've ever dug down really deep in kind of how I wanted to feel about the things we're invested in, right. I wanted to make X number of dollars or I wanted to be able to pay for my kids' college down the road. But you're really talking about kind of what changes you want to make in the world that you want to be a part of, you actually can do that in your investing.

JACKIE VANDERBRUG: Just important to say, you can do that and you don't have to give up what you said before, which is you don't have to give up putting your kids through college and all of your other financial goals. It's the magic of "and."

SOLEDAD O'BRIEN: Right, they're not mutually exclusive because by the way if they were, probably you wouldn't get a lot of people investing in them. The fact that you can invest in doing the things that emotionally, morally, value-wise you care about and also make money to me is the win-win.

The inclusion of women at sort of these higher levels, is there data that shows us that that actually impacts earnings and stock market and, you know, like real data as opposed to it makes us all feel good to know that there are women at high levels as part of these conversations? Jackie, I'm curious if you have that data.

JACKIE VANDERBRUG: Overall, we have seen that companies that are gender diverse are more likely to outperform their peers. McKinsey's research here says companies that are gender diverse are 21% more likely to have stronger financial performance than their peers. ***(Source: "Delivering through Diversity," McKinsey & Company, 2018).*** Interestingly, that number has increased, Soledad, over time, so it's more important now than it was five years ago for that gender diversity and racial diversity is even more important.

SOLEDAD O'BRIEN: Why is that changing, Savita? I'm so curious about that being more important now than it even was five years ago.

SAVITA SUBRAMANIAN: It's always been an important driver of returns. So, you know we've actually found in our work that gender diversity at management levels, at the board level and at an overall company level, if you just took the market and you broke it into two groups: companies with above median number of women in management positions and below median, and you just tracked these two groups over time, we found that very consistently, historically, you know over about I think it was about a 15-year period that we looked at, the group with a more diverse management team or a more diverse board systematically saw a higher return on equity than the group with the less diverse management team or board. ***(Source: "ESG from A to Z: A Global Primer," BofA Global Research, November 25, 2019).***

I think that from a performance perspective, we're starting to see that performance spread increase as investors kind of get wise to this thesis and start investing in the companies that are actually kind of looking better on all of these statistics that we're talking about here.

SOLEDAD O'BRIEN: So Jackie, are there trade-offs? When you're discussing with clients about gender lens investing, are you saying, you know, "But here's some stuff to think about on the other side?"

JACKIE VANDERBRUG: Yeah, so just to underline maybe what we've said, we are, we are saying unequivocally, you do not have to give up risk-adjusted returns to invest sustainably or to invest with a gender lens. I do think that you need to look carefully in terms of that investment process, right, so one of the myths is that this is something you do overnight. Most of our clients that start to move towards a more sustainable portfolio, they do it over a number of years, and obviously there's tax considerations, there's timing considerations, there's looking overall at your allocation, all of that is important and that's something that your financial advisor helps you with.

SOLEDAD O'BRIEN: So before I let you guys go, I'm curious if you are feeling optimistic, pessimistic, somewhere in between? I mean I think we're not fully going to be able to bring the economy back until we get a grip on what's happening with this global pandemic and any version that doesn't include that is just not going to really work.
Why don't you start us off, Jackie, and then Savita, will you jump in as well?

JACKIE VANDERBRUG: Yeah, Soledad, I feel like this is a really emotional time and it is interesting just the research there, the pandemic, women have felt more stressed during this pandemic than men have from an emotional standpoint, it's just back to that other burdens that we carry. ***(Source: "COVID-19 and a Crisis of Care in the United States," MenCare, June 2020).***

We need to understand that when we increase equality for women, it's not like we reduce the opportunities for men, right? That this is not a win-lose situation and that's where I think we can come together, when I talk to men and they say, "absolutely," right? Gender equality helps all of us economically and socially, so to me that's the, that's the optimism here. I am optimistic, although there are days, believe me. On average, I am optimistic.

SOLEDAD O'BRIEN: Hmm, how about for you, Savita?

SAVITA SUBRAMANIAN: When you look at the numbers, I still feel kind of depressed that we're still at a point where women are paid less than men, even though their education level is higher and women are working more at home and getting paid less, so there's a lot of numbers you can look at that make you feel kind of like "What progress?"

But here's where I feel really optimistic: corporate America has basically undergone kind of a sea change in terms of their ethos where instead of just maximizing shareholder returns, I think we're in this culture where corporates want to maximize stakeholder returns, so that means treating their customers, their consumers, their employees fairly and ethically and a big part of that is diversity and fairness.

And then I also think what's nice to see is that even during this bear market where investors basically sold out of almost every asset class, we continued to see inflows, surprisingly, into sustainable investment vehicles***. (Source: "ESG Matters: Bull Market Phenomenon? Quite the Contrary," BofA Global Research, March 25, 2020).*** So I think this is a really sticky capital allocation decision that's not going to go away and is just, is essentially building momentum. That's where I'm very optimistic.

SOLEDAD O'BRIEN: Well good, I'm glad to hear that you're both optimistic, and I love this focus on stakeholders and not just shareholders, because I think stakeholders are sometimes left out of the conversation and they are ultimately important to shareholders, so I think that's a very good area to distinguish.

A big thank you to Savita and to Jackie, thanks for your insights of course. And I know this obviously is a topic that you're both going to continue to monitor the data around, obviously, in the near future and the far future too.

Thanks to all of you for watching as well. We hope that this conversation and some of these takeaways are really useful and tangible insights for all of you and also inspirational too as we try to navigate the road ahead.

Stay safe everybody and thank you for watching.

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