



# A free market wired to perpetuate gender inequality

KPMG Audit Committee Institute



Gender inequality is a long-running issue, and it is feared that the Covid-19 pandemic could make the problem worse. Vicky Pryce, former KPMG Partner, board member at the Centre for Economics and Business Research, and author of [‘Women vs Capitalism’](#), joined our Board Leadership Centre FTSE350 meeting to argue that despite gender equality being good for business and economies, interventions are required as the free market is wired to perpetuate inequality.

We live in a world where gender inequality is still rife. Across the globe, women face barriers in careers, pay, access to education, healthcare and legal rights. Even in developed economies, women’s average lifetime earnings track at some 30 percent below that of men. With many women working part-time for some or much of their careers, their pension entitlements may commonly be as little as a fifth of the average man’s. While there has been progress in increasing female representation on Boards, they are still in the minority. An increase in women in political fields offers encouragement – but nevertheless, even in the European Parliament which has been seen as leading the way, 61 percent of MEPs are male.

The overall equality index, therefore, remains out of kilter. In the UK, the index (where a score of 1.0 would represent gender equality) stands at around 0.75.

This persistent imbalance comes despite the fact that greater gender equality could unlock hugely increased productivity and economic benefits. Vicky cited a study from the World Bank and IMF which estimated that if women could properly participate in the labour force, a combination of factors such as greater productivity, lower welfare payments and higher tax receipts, could increase the overall prosperity of some countries and regions by as much as 25-40 percent.

The economic case for gender equality therefore seems clear. So why is it not happening?

## Barriers to equality

The obstacles to greater equality are complex and multi-layered. They also vary by degree around the world. There are barriers in education, access to work opportunities and expectations of marriage and child-raising.

If these issues are particularly pronounced in the developing world, they have ramifications in developed economies too. Motherhood, for example, remains a big issue as Vicky observed due to the challenges it creates around balancing work and personal life. Still today, many women “often just don’t catch up”.

Education remains a key area too. In Vicky’s view, many girls are not being guided effectively about what careers might be best for them. There are ‘information asymmetries’ that affect girls’ expectations and choices – and this is exacerbated by a relative shortage of role models for them to identify with and aspire to. Despite gender pay gap reporting requirements, a continuing lack of overall transparency about wages and earnings differentials further muddies the waters.

## Workplace issues

Within the workplace itself, while companies have to observe legal obligations around equality, there is much more to do. There remains an imbalance in terms of seniority: while things have improved on Boards and in non-executive positions, there are still fewer women at executive and senior management level. Women remain at greater risk of finding themselves in lower paid positions. Unconscious bias is a persistent problem. Vicky regretted that unconscious bias training to address the issue does not appear to be having a significant impact as yet. In her view, the most effective mechanism for combating inequality is when the Board is committed to changing the culture of an organisation.

An overarching barrier is that capitalism is short-termist - focused on the next quarter’s profits and results. Addressing gender equality requires long-term commitment and investment. This prevents women’s participation and equality being properly measured, understood and confronted.

## Covid-19

Women are amongst the groups worst affected by the pandemic, and there is a fear that the overall effect will be to set back the gender equality agenda. Women are estimated to be twice as likely to have lost their job as a result of the pandemic as men. This is in large part because, along with young people, women disproportionately make up the workforce in the sectors that have been worst affected, such as retail, hospitality and leisure. These are generally low paid roles, often on a short-term or unguaranteed contract basis (such as zero hours) – and are roles that can't be carried out from home. A further inequality has been that, in general, the higher paid an employee is, the more likely they are to be able to carry out their role from home.

Also, women have tended to take greater responsibility for childcare during the pandemic than men. Vicky also pointed to an IMF study that found in Southern Europe, the differential between men and women's movements had increased during the pandemic, with women becoming much more localised – suggesting they were staying at home more than men.

In many economies, women are already likely to work more locally than men as they want to be nearer to the home and may work part-time with child caring and pick-up/drop-off responsibilities. This geographical factor necessarily narrows the range of available jobs – and will mean it is harder to find an alternative position if one ends due to the virus.

Vicky noted with concern that gender pay gap reporting requirements have been temporarily suspended due to the pandemic. She expressed worry that this may have a negative impact or set an unwelcome precedent in the future.

### Future childcare crisis?

Another significant cause for concern arising out of Covid-19 is that many childcare settings may not survive. It has been estimated that as many as 150,000 childcare places could be under threat. This could make any return to offices much harder – and, again, disproportionately affect women.

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However, there have been some positives arising out of the pandemic. Working from home, and working flexible hours, has become much more widely accepted and this could serve to support a more gender equal model in the future.

### Interventions

There are a number of actions that Vicky believes are needed – some requiring government intervention:

**Gender pay gap reporting:** Whilst Vicky welcomes the introduction of greater transparency, she does not believe that the 'naming and shaming' approach is strong enough or has fast enough results. Instead, there should be government-levied market penalties for poor performance and for businesses that do not make sufficient improvements over a set period of time. Vicky also argues the case for extending the reporting requirements to smaller businesses (those with 250 employees or less).

**Quotas:** Vicky is in favour of mandatory quotas, but believes these work most effectively at senior management levels rather than for Boards themselves.

**Flexible working:** The government should look at enshrining individuals' rights to work flexibly in law – making it a requirement for businesses to accommodate this, with penalties and redress for non-compliance.

**Childcare:** This should be free or heavily subsidised by the government.

### Renewing the momentum

Other factors lie in businesses' own hands – a commitment to a culture of equality led from the top, transparency and openness over pay, a continued fight against unconscious bias, unswerving support for mentoring, role models and equal opportunity.

As Vicky said – and as attendees seemed to widely agree – "It would be really sad if, as a result of Covid-19 and other pressures, women just disappear or give up. Businesses need to rise to the challenge and prove that capitalism can work whilst at the same time supporting and promoting equality and diversity."

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