

2015 PRELIMINARY

WHEN WOMEN THRIVE RESEARCH FINDINGS: A EUROPEAN PERSPECTIVE

This preliminary research findings paper was produced for discussion at Mercer's 2nd Annual *When Women Thrive* Signature Event that took place in Brussels, Belgium in November 2015. The content is based on initial analysis of our 2015 global research findings, with particular focus on Europe. Together with EDGE Certified Foundation, Mercer will release the full global report in January 2016.



“This is a business imperative – one that every business leader needs to personally drive. Now is the time for us to take action!

I’m enormously proud of the work that Mercer is doing to advance women and accelerate the growth of companies as a result.”

PATRICIA A MILLIGAN
FOUNDER OF WHEN WOMEN THRIVE
AND SENIOR PARTNER, MERCER



WHEN WOMEN THRIVE

PRELIMINARY RESEARCH FINDINGS:

A EUROPEAN PERSPECTIVE

ABOUT MERCER

Mercer is a global consulting leader in talent, health, retirement, and investments. Mercer helps clients around the world advance the health, wealth, and performance of their most vital asset — their people. Mercer's more than 20,000 employees are based in more than 40 countries and the firm operates in over 130 countries.

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RESEARCH SURVEY CONDUCTED IN COLLABORATION WITH EDGE CERTIFIED FOUNDATION

EDGE is the only global assessment methodology and business certification standard for gender equality. The EDGE assessment methodology was developed by the EDGE Certified Foundation and launched at the World Economic Forum in 2011. EDGE Certification has been designed to help companies not only create an optimal workplace for women and men but also benefit from it. EDGE stands for Economic Dividends for Gender Equality and is distinguished by its rigour and focus on business impact. The methodology uses a business, rather than theoretical, approach that incorporates benchmarking, metrics, and accountability into the process. It assesses policies, practices, and numbers across five areas of analysis: equal pay for equivalent work; recruitment and promotion; leadership development training and mentoring; flexible working; and company culture.

EDGE Certification has received the endorsement of business, government, and academic leaders from around the world.



THE EUROPEAN IMPERATIVE FOR CHANGE

Equal treatment for women and men is a founding principle of the European Union. However, much can be done to move the needle further on gender equality. Europe continues to see a lack of women at the most senior levels and on executive boards, a steady decline in the representation rates of women as career levels rise within organisations, and a stubbornly persistent gender pay gap.

A number of significant developments are helping shape a renewed focus on gender equality in the EU:

- The ageing demographic in Europe.
- The economic drive for growth and competitiveness through harnessing all available talent.
- Stronger corporate governance requirements, particularly in relation to gender diversity.
- Greater transparency for companies in relation to equality and diversity.
- The persistent gender pay gap and practices that discriminate against women.

Before we turn to details of our most recent *When Women Thrive* research, we briefly review these contextual factors for Europe, in turn.

AGEING DEMOGRAPHIC

Europe faces severe demographic ageing. As a consequence, the working-age population is shrinking and dependency rates will increase. According to the EU, in just five years, 75% of Europe's population of 20–64 year olds (up from 68% today) will need to be employed in order to mitigate the current trends and deliver a modest economic growth rate of 1%–2%.¹ Although a critical source of talent to meet this objective will be women, there is notable risk that an ageing workforce might actually lead female participation rates to decline as women leave the workforce to provide care for the elderly.

¹. Peschner J. "The EU's Growth Potential Vis-à-Vis a Shrinking Workforce", available at <http://www.oecd.org/els/mig/Peschner.pdf>. (Associated Working Paper available at <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1970&furtherNews=yes>.)

ECONOMIC DRIVE FOR GROWTH AND COMPETITIVENESS

The low employment rate of women in the EU (63.5%) as compared to men (75%) represents a waste of resources for the EU economy. A recent estimate shows that the gender employment gap costs 325 billion euros annually.² Furthermore, the Organisation for Economic Co-operation and Development (OECD) recently projected the EU gain from full convergence in participation rates between women and men to be 12.4% in per capita GDP by 2030.³

CORPORATE GOVERNANCE

Although the regulatory and reporting landscape differs from country to country, consolidation is increasing in the EU, and we anticipate that these regulations will only be strengthened in the near future. Areas covered by such requirements include discrimination and, specifically, pay equity; quotas for the most senior roles and for executive boards; maternity and paternity leave standards; and child care and flexible working considerations. Directive 2014/95/EU requires companies to disclose information about diversity in their board of directors.

GREATER TRANSPARENCY

NGOs, government agencies, and watchdog groups have been exerting increasing pressure to ensure that organisations have and uphold good diversity practices. Many organisations are looking to get ahead of such pressure, differentiate their brands, and ensure their access to diverse talent by voluntarily sharing information on their practices and even their gender representation rates; others have, for example, sought out good-practice certification from EDGE Certified Foundation. Adding to the pressure is that business partners require that vendors in their supply chain have appropriate policies on diversity.

PERSISTENT GENDER PAY GAP

EU member states have been slow to apply and enforce the equal pay principle and the gender pay gap still averages 16.4%.⁴ The pay gap for salaried employees is higher still at 31%, due in part to a high incidence of female part-timers. Additionally concerning is that women in the EU receive on average 38.5% less in pensions than men,⁵ because, in addition to the gender pay gap, of their more frequent part-time status and fewer years spent in employment. Much progress still can be made as companies work to ensure that women and men have equivalent access to senior, high-paying jobs and, furthermore, that those women and men working in comparable roles are paid equitably.

² European Commission (2015). "New Start to Address the Challenges of Work-Life Balance Faced by Working Families", available at http://europa.eu/epic/news/2015/20150923-new-start_en.htm.

³ OECD (2012). *Closing the Gender Gap: Act Now*

⁴ http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics

⁵ http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics



OVERVIEW AND ABOUT THE SURVEY

To date, this effort has been remarkably successful, with 647 survey submissions over the past two years – 500 new ones in 2015. The current database is the largest of its kind, covering 3.2 million employees and 1.3 million women.

We intend to continue to extend the coverage of our data and analysis through annual campaigns, and the survey will remain perpetually open going forward, for those interested in joining our community and for those in need of benchmarks against which to evaluate their own practices and set priorities. We will regularly analyse the data to provide critical insights to our clients and other organisations determined to achieve both greater gender diversity in their workforces and strong female representation in their leadership.

The *When Women Thrive* research leverages Mercer's proprietary, Internal Labour Market (ILM) framework and methodologies to examine the current representation of women across levels of the corporate hierarchy, on a regional basis, and to forecast the likely changes in such representation under different scenarios. The research also collects data on organisational practices and cultural attributes that may drive success in building representation.

The research in 2014 identified certain of these practices and attributes as particularly impactful – what we call the *key drivers of gender diversity*. These drivers were established through application of multivariate, statistical models to help uncover causal relationships. In constructing these models, we drew on over 20 years of experience applying ILM Modelling in client organisations to identify and measure the impact of human capital management on key talent dynamics and workforce outcomes. We also want to acknowledge EDGE Certified Foundation, whose robust research on gender equality was leveraged to build our platform.

This paper was created for discussion at Mercer's 2nd Annual *When Women Thrive* Signature Event, with a focus on Europe. This paper summarises current and projected future representation of women in the workforce. It also reviews the state of organisations with regard to the key drivers of gender diversity, both from a global and a European perspective.

PARTICIPANT PROFILE

Our consolidated research database includes 647 unique survey submissions from 583 organisations around the world. Going into this second year of research, we sought to expand our survey footprint, particularly in regions where we had limited participation in 2014, such as Asia. To that end, we have:

- More than tripled the number of survey submissions since 2014.
- Added 13 new countries to our survey sample and significantly increased the number of submissions from Brazil, China, and Japan.
- Nearly doubled the number of employees covered in our workforce data, from 1.7 million in 2014 to a current count of 3.2 million employees – 1.3 million of whom are women.

To provide a comprehensive view of the state of gender diversity across organisations globally and inventory the specific policies and practices in place to support women, we have combined the 2014 and 2015 survey submissions – taking the most recent submission from those organisations that participated in both years – to create our current database. Results shared throughout this report are drawn from both waves of study and will focus on differences and similarities across five regions: Asia; Australia and New Zealand; Europe; Latin America; and the US and Canada. Information for a sixth region, Middle East and Africa, will be shown wherever sample sizes permit.

Given the sizeable increase in survey submissions, the participant profile has changed significantly since 2014, and that should be considered when interpreting differences from the previous report.

The participant profile shows details of our sample in each year and for our overall combined database, which includes the most recent submission for an organisation in a specific geography. (See Figure 1.)

Figure 1. Participant Profile

PARTICIPANT PROFILE: REGION			
	2014	2015	OVERALL DISTINCT RESPONSES
US and Canada	68	146	201
Latin America	46	116	152
Europe	40	106	138
Asia	7	87	94
Australia and New Zealand	17	29	46
Middle East and Africa	0	16	16
PARTICIPANT PROFILE: SECTOR			
	2014	2015	OVERALL DISTINCT RESPONSES
Services	67	165	222
Products/Manufacturing	54	155	199
Information and Technology	22	53	72
Energy	16	44	54
All Others	19	83	100
PARTICIPANT PROFILE: TOTAL REVENUE			
	2014	2015	OVERALL DISTINCT RESPONSES
Less than \$100 million	20	116	135
\$100 million < \$500 million	36	89	119
\$500 million < \$2.5 billion	45	87	121
\$2.5 billion < \$10 billion	34	83	114
\$10 billion or more	36	93	119
No response	7	32	39
PARTICIPANT PROFILE: TOTAL HEADCOUNT SIZE			
	2014	2015	OVERALL DISTINCT RESPONSES
Less than 100	8	32	40
100–999	22	78	97
1,000–4,999	26	101	127
5,000 –9,999	20	42	58
10,000–49,999	49	107	147
50,000–99,999	25	41	60
100,000 or more	19	71	83
No response	9	28	35
Total survey submissions	178	500	647

PRELIMINARY RESEARCH FINDINGS WITH A FOCUS ON EUROPE

Developments in the last year favour improved future representation of women. With so much emphasis on gender equality, organisations appear to have improved or maintained what were favourable promotion patterns and have accelerated the hiring of women into senior levels.

In particular, we see stark improvement in the US and Canada, where lower rates of promotion for women across all career levels have been substantially overcome – at least at the highest levels. Is this due solely to differences in the population of organisations covered? Apparently not. An examination of participants in both 2014 and 2015 revealed that specific organisations have improved promotion rates for women into the executive ranks. These trends, if they can be sustained over the next 10 years, would lead to significant improvements in female representation at the executive level in all of the regions examined. In Europe, we see female representation at the Executive level increasing from 21% to 33%, an improvement from 2014's projected trajectory, which showed an increase from 21% to 26%.

Although these trends are encouraging, we are concerned that they are not sustainable. The focus has been on the top levels, as organisations have sought to improve top-level representation, particularly in Europe, where there have been increasing requirements for diversity in the Executive and Board ranks (for example, in the UK and Switzerland). But this focus has not extended to lower levels of the career hierarchy, raising concerns that the internal pipeline for future female managers and leaders may be weakening in many organisations. For example, we see, in many regions, that women are actually less likely to be promoted from Staff to Professional levels; given the high volume of promotions across these lower levels and the very high representation of women in staff roles, it could be that that the Staff level is an underutilised, accessible channel for female talent to eventually advance into higher ranks.

On a global basis, women are also hired at lower rates into Staff, Professional, and Manager levels, though Europe notably is an exception to this trend. As a result of these patterns, representation of women in the Professional and Above category would increase only from 35% to 40%, globally, over 10 years. In Europe, the projected trajectory over 10 years leaves female representation in these same levels flat at 37%, primarily due to slow rates of workforce mobility (i.e. velocity). To accelerate these paths, organisations need to move from ad-hoc efforts to improve senior-level hiring and promotion and focus on the whole system of talent dynamics. To make advances sustainable, they need to focus on the key drivers of gender diversity to build the inclusive culture required to support the change and to accelerate further the speed of progression for women.

As we will see, our preliminary analysis finds that progress observed in the current year has not stemmed from improvements in the key drivers of gender diversity identified in research from 2014 — notably, no appreciable improvement was seen in executive engagement, pay equity, prioritisation of flex-time, part-time, and leave policies, or tailored health and wealth programmes for women. The apparent disconnect is concerning because it raises the question of whether progress in the most recent year can be sustained over the long term. If the current progress observed reflects a resort to a “quick fix” — that is, ad-hoc

focus on improving representation at the top through targeted hiring and promotion activity — progress will wane and current efforts will become self-defeating. Organisations must also put into place supporting infrastructures and drive cultural change to eliminate underlying, systemic barriers to the progress of women. This research details on what is required to achieve and sustain success. For surveyed organisations in Europe, there is considerable opportunity to tap these channels, as the region lags on several of these key drivers.

READING THE INTERNAL LABOUR MARKET MAP EXHIBITS FOUND ON THE FOLLOWING PAGES

An ILM map is a graphical representation of the talent pipeline in an organisation — a quick point-in-time “snapshot” of the average survey respondent. It summarises, for each standard career level, the rate at which talent is flowing into the organisation (total hires), moving up through the hierarchy (total promotions), and ultimately exiting the workforce (total exits). Percentages in the middle of the map indicate female and male representation at each career level. Hire, promotion, and exit rates are calculated as the total number of events divided by average headcount, by level and gender, over a 12-month period.

HOW MUCH PROGRESS HAVE COMPANIES MADE SINCE 2014?

Figure 2. ILM Map for the Average Global Organisation

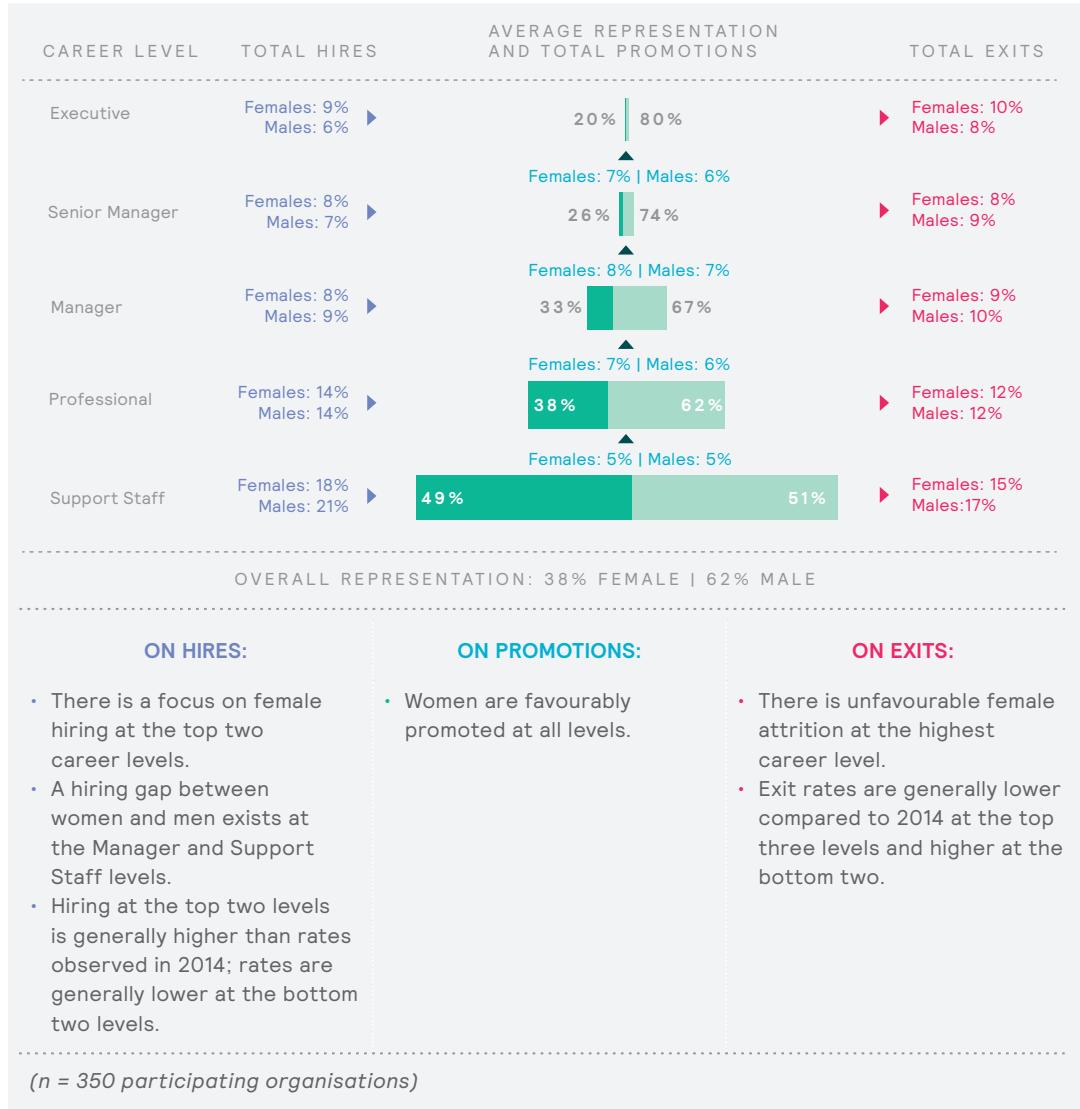
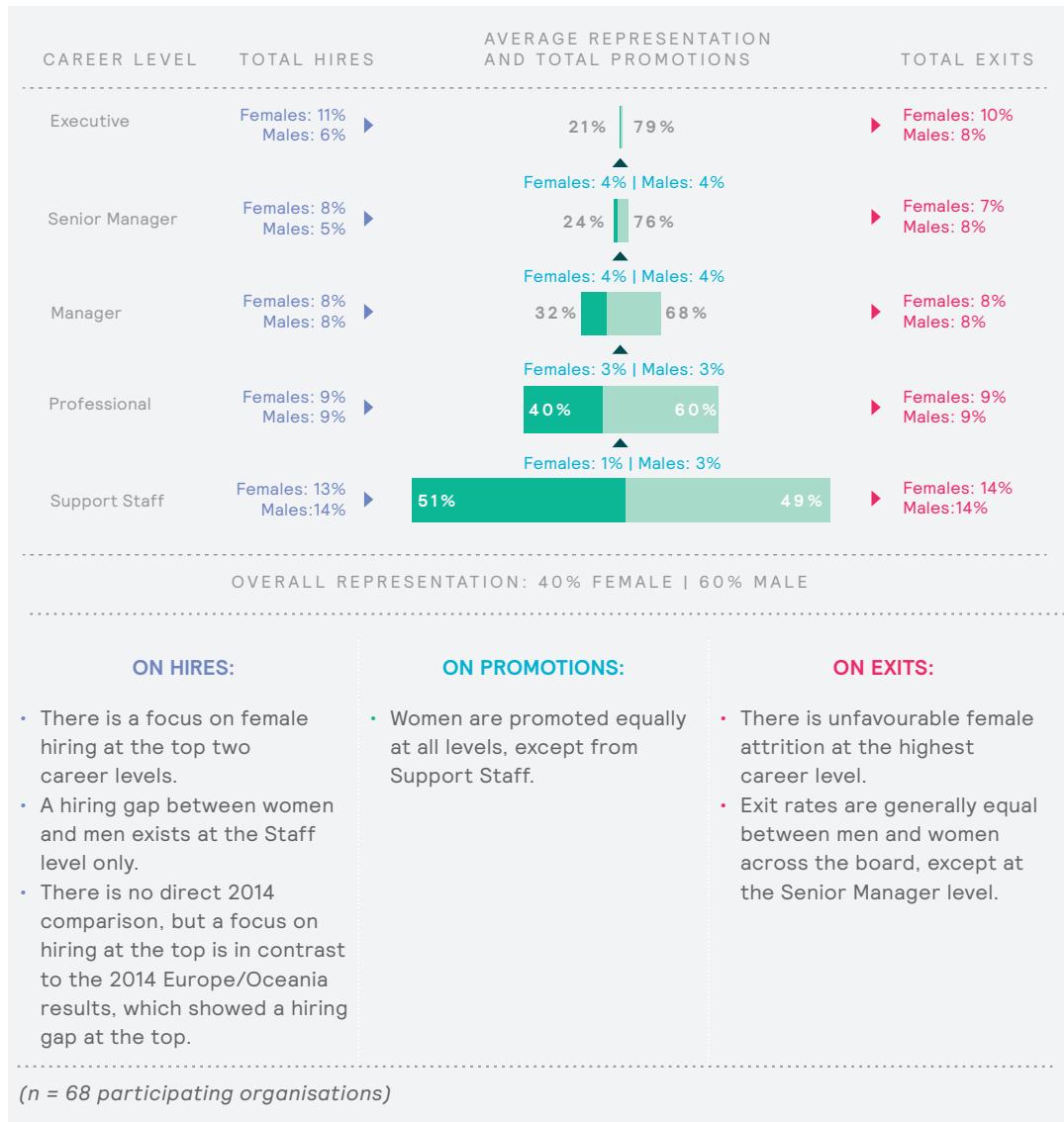


Figure 3. ILM Map for the Average Organisation in Europe



REPRESENTATION

On average, representation of women in the workforce has not changed since 2014. Women continue to make up roughly 40% of the average company's workforce across all career levels, and female representation declines as career levels rise. (See Figure 2.) Women are still best represented at the Staff level in nearly all regions – the one exception is in Latin America, where women are comparably represented in the Professional level.

At the senior-most level, globally, approximately 20% of executives are women. Europe and the US and Canada tend to lead on this metric with 21% and 22%, respectively. (See Figure 3). Latin America and Australia and New Zealand both show 17% female representation at the Executive level and Asia, at 14% female, has the lowest representation of Executive-level women.

HIRES

Across all survey respondents, we generally see a focus on hiring women at the top of the hierarchy — that is, at the Executive and Senior Manager levels — with some exceptions by region. This is particularly notable in Europe at the Executive level (11% hire rate for women vs. 6% for men) and the Senior Manager level (8% hire rate for women vs. 5% for men). (See Figure 4.) This trend may be partially explained by the increased use of legislative and voluntary measures throughout Europe to bolster female representation at senior levels. Since 2006, when Norway introduced a 40% quota for female directors of listed companies (which came into force in 2008), the momentum for this approach has grown.

Gender quotas for boards have since been imposed in Belgium, France, Iceland, Italy, the Netherlands, Spain, and, most recently, Germany, where a new law passed in March 2015 will require some of Germany's biggest companies to give 30% of supervisory seats to women. In addition, a proposed EU Directive regarding women on boards aims to achieve having 40% of women represented in non-executive board-member positions in publicly listed companies. Other countries, such as the UK, have not followed the mandatory quotas route, preferring to take a voluntary approach. Initiatives such as that led by The 30% Club have helped focus organisations on gender representation. Although these initiatives are focused on board membership, we believe that the impact has been broader.

Where gaps in hiring are unfavourable for women, they are concentrated in the middle to lower levels, particularly at the Staff level. Europe has equitable hiring patterns except for a modest difference in rates out of the Support level. Hire rates in the US and Canada tend to tilt in favour of men below the Executive level, whereas Latin America tends to have more favourable hire rates for women at all levels except Manager.

Figure 4. Differences in Hire Rates (Female Hire Rate % vs. Male Hire Rate %), by Level and Region

CAREER LEVEL	GLOBAL	EUROPE	US AND CANADA	LATIN AMERICA	ASIA	AUSTRALIA AND NZ
Executive	+3% points	+5% points	+1% point	+1% point	+10% points	-2% points
Senior Manager	+1% point	+3% points	-1% point	+2% points	+7% points	+1% point
Manager	-1% point	Equal	-2% points	-2% points	+1% point	+1% point
Professional	Equal	Equal	-2% points	+3% points	-5% points	Equal
Staff	-3% points	-1% point	-7% points	+2% points	-1% point	-4% points

EXITS

Although the hires (inflows) tell us how new talent is being brought into the organisation, the exits (outflows) reveal the extent to which talent is being retained and engaged. In contrast to the favourable hiring patterns at the top, we see that Executive women generally leave the organisation at higher rates relative to their male counterparts. With the exception of Asia, where women are less likely to leave throughout the hierarchy, female turnover rates are generally higher at senior levels and lower at junior levels. (See Figure 5.)

Attrition is uniquely higher for Senior Manager and Professional women in the US and Canada; in other geographies, women are retained at favourable rates below the executive level. That we do not generally see a difference in exit rates between women and men across the hierarchy appears to refute the argument that women are more likely to leave the workforce because they are accommodating family related priorities.

Figure 5. Differences in Exit Rates (Female Exit Rate % vs. Male Exit Rate %), by Level and Region

CAREER LEVEL	GLOBAL	EUROPE	US AND CANADA	LATIN AMERICA	ASIA	AUSTRALIA AND NZ
Executive	+2% points	+2% points	Equal	+4% points	-4% points	+1% point
Senior Manager	-1% point	-1% point	+2% points	-1% point	-4% points	Equal
Manager	-1% point	Equal	Equal	-4% points	Equal	-5% points
Professional	Equal	Equal	+1% point	Equal	-1% point	Equal
Staff	-2% points	Equal	-4% points	-3% points	-1% point	Equal

PROMOTIONS

The third and last flow – promotions – shows how employees advance through the hierarchy, moving from one career level to the next. Globally, on average, women are promoted at higher frequencies relative to men. This pattern is most pronounced in Latin America, where female promotion rates are higher than male promotion rates from every career level. As is the case for hires and exits, Europe generally has equitable flows by gender. For the average organisation in Asia, female promotion rates lag those of men. (See Figure 6)

In the US and Canada, we had observed lower promotion rates from every career level in the 2014 study. In 2015, we are seeing an improvement in the promotion rate at the very top – women are being promoted from the Senior Manager level (into the Executive ranks) at a higher percentage relative to men. Perhaps this is a response to significant attention to gender equity over the past year, and it is an encouraging sign that organisations are now focusing on various levers to effect change, looking beyond external hires to fill top slots. At the Manager and Staff levels, however, the lower promotion rates for women persist.

Figure 6. Differences in Promotion Rates (Female Promotion Rate % vs. Male Promotion Rate %), by Level and Region

CAREER LEVEL	GLOBAL	EUROPE	US AND CANADA	LATIN AMERICA	ASIA	AUSTRALIA AND NZ
Senior Manager	+1% point	Equal	+1% point	+5% points	-1% point	Equal
Manager	+1% point	Equal	-1% point	+1% point	-2% points	+6% points
Professional	+1% point	Equal	Equal	+2% points	Equal	Equal
Staff	Equal	-2% points	-2% points	+2% points	Equal	-2% points

Reading a Workforce Projection

A workforce projection uses the talent flows from the ILM map and forecasts how female representation would change if dynamics were to persist over time. If men and women enter the organisation at the same rates as they do now, and assuming promotion rates remain unchanged and turnover stays stable, how quickly and to what extent would female representation improve (the “baseline” scenario)?

Each additional line approximates future representation if hire, promotion, and exit rates for women, one at a time, were made comparable to those of men. The “simultaneous adjustments” line represents the total opportunity available to organisations if they were to increase female hiring and promotion rates and reduce female turnover rates to be equal to those of men at the levels where rates are currently unfavourable to women (the “optimal” scenario).

Workforce projections for Europe, for employees in the Executive level and for employees in the “Professional and Above” ranks, are displayed in Figures 7 and 8.

WORKFORCE PROJECTIONS

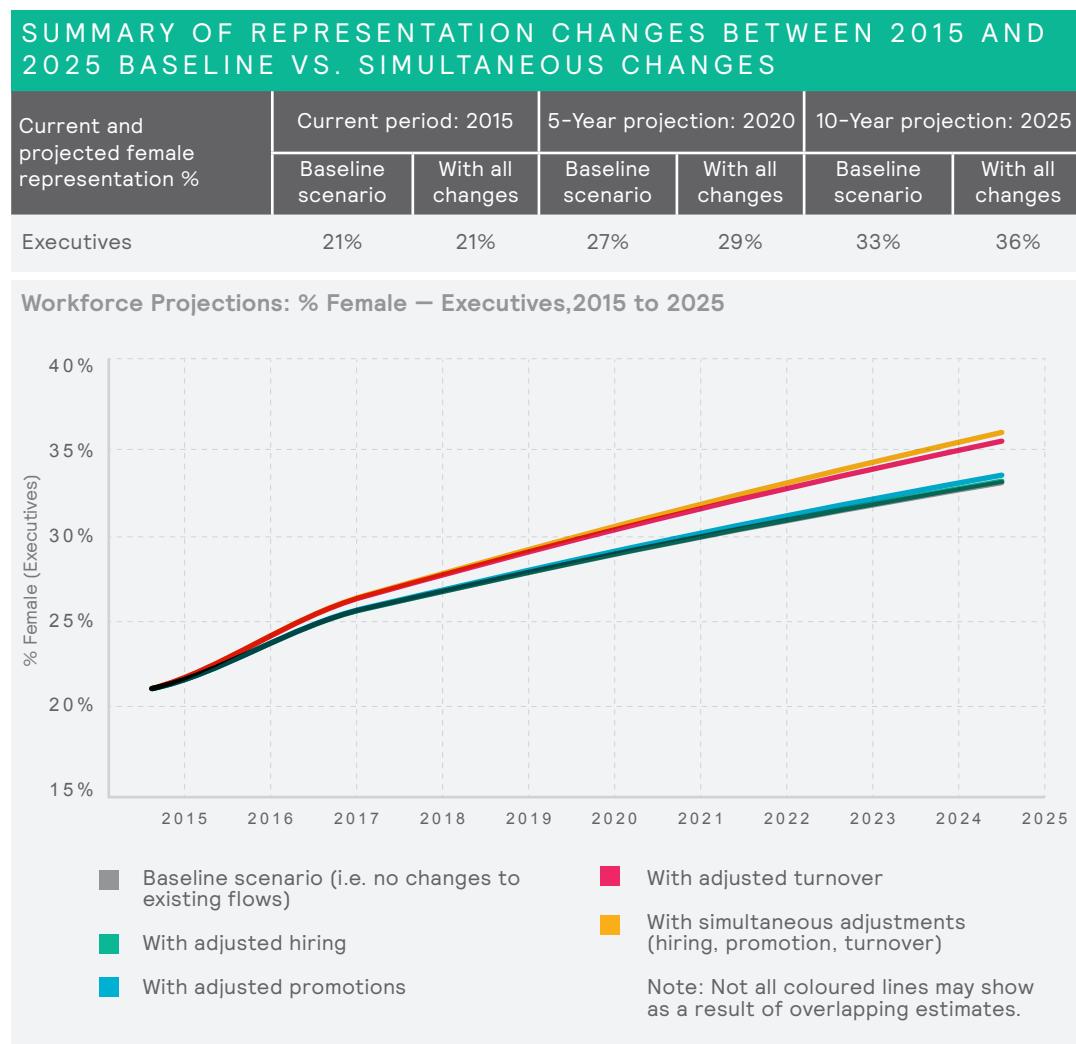
We have taken the hiring, promotion, and retention patterns observed on the ILM maps and applied them year-over-year during a 10-year period to project how future female representation could change. Focusing first on the top of the hierarchy, we forecast the extent to which female representation at the Executive level could improve if current patterns persist, compared to how much more it could increase if organisations were able to close any existing gaps in raw hiring, promotion, and retention rates for women.

Globally, the projections show that Executive female representation can grow by 17 to 18 percentage points over the next 10 years, from a starting point of 20% female today to roughly 37%–38% female by 2025. Although this gain is short of the equal representation mark, it can be achieved only by a relentless and continuous focus on the equity in workforce flows.

In fact, the difference between the “baseline” scenario — assuming that current talent flows stay the same — and the “optimal” scenario — assuming that the average organisation closes existing gaps — is only one percentage point. The difference between the two scenarios reinforces the observations made earlier that the gaps, where they exist for women, are small in magnitude. It is clear that a strong, continued focus on equity, supporting practices, and culture change must be maintained to guard against slippage and achieve the modest, forecast gain and, perhaps, surpass it. Although equity should be exercised in employment decisions, organisations should consider looking to policies and practices that uniquely support women, with the objective of increasing rates for women in excess of parity to accelerate the future trajectory.

Latin America appears to be on an accelerated path towards gender balance in the Executive ranks. Its projections show that the average organisation in Latin America could move from 17% today to 44% in 10 years, if workforce flows stay the same, or as high as 48%, if gaps can be eliminated. On the other hand, Europe has a flatter trajectory for Executive women, with representation increasing at a much slower pace compared to Latin America (from 21% to 33% under the “baseline” scenario). Even so, this trajectory for Europe is an improvement from the forecast in 2014, which showed Europe improving from 21% to 26% under the same baseline scenario. (See Figure 7 for Europe’s Executive-level projections.)

Figure 7. Projected Female Population in the Executive Level for the Average Organisation in Europe



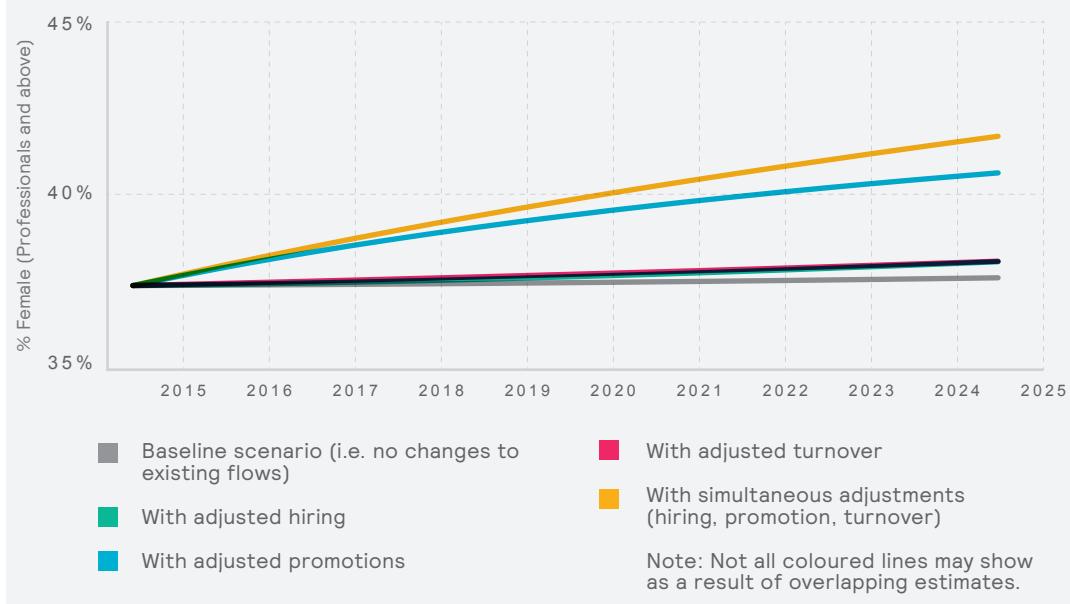
The potential in Europe under the optimal scenario is an additional three-percentage-point increase by 2025, to an overall representation of 36%. Although promotions, hiring, and retention will all play a part in reaching this optimal future, the biggest lever at the Executive level is improving retention. We recommend that European organisations go beyond “the numbers” (that is, simply filling senior slots with women) to provide the supporting infrastructure required to ensure the long-term success of women.

Turning to the broader workforce and examining projections for women in the Professional level and above, the data tell a different story. Although we see double-digit percentage point gains in Europe when focusing at the top of the career hierarchy, we see a completely flat baseline trajectory when extending our view farther down in the talent pipeline. Even when adjusting for gaps in career flows, the average organisation in Europe is projected to improve female representation in the broader ranks by only four percentage points over 10 years (from 37% to 41%). (See Figure 8.) An opportunity is clearly in reach through driving more promotions, particularly for those women in the Support level; European organisations should not limit their internal development programmes to Management and Executive levels only, but also ensure that they address the opportunities among more junior levels.

Figure 8. Projected Female Population in the Professional and Above Levels for the Average Organisation in Europe

SUMMARY OF REPRESENTATION CHANGES BETWEEN 2015 AND 2025 BASELINE VS. SIMULTANEOUS CHANGES						
Current and projected female representation %	Current period: 2015		5-Year projection: 2020		10-Year projection: 2025	
	Baseline scenario	With all changes	Baseline scenario	With all changes	Baseline scenario	With all changes
Professionals and Above	37%	37%	37%	39%	37%	41%

Workforce Projections: % Female – Professionals and Above, 2015 to 2025



The same pattern holds for the US and Canada, where Executive representation is projected to improve substantially by 2025. — primarily as a result of improvements in promotions over the recent year, the projections for Professionals and above in the US and Canada show more conservative gains. Under the baseline scenario, broader female representation is expected to grow by just one percentage point. The differences in storylines when looking at the top of the house as opposed to the broader internal labour market reinforce the need for a holistic focus of the entire “system”. Improvements in one layer of the hierarchy, while important and encouraging, are simply not sufficient to drive success across the enterprise.

WHERE TO FOCUS?

How can we adjust or refine the path we are on to steer towards greater equity across enterprises more quickly? Although we have noted the importance of focusing on the whole — across all career levels and all flows — it is equally important to understand the impact of different actions to help prioritise efforts. In nearly all regions, retention is critical to improving the representation of female Executives. Although the current hiring patterns are positive for women at this level, they are offset by high rates of turnover, perhaps of these same hires. Curbing the higher attrition rates we see at this top level will have the added benefit of countering what might be a “revolving door” for senior women.

Looking further down the hierarchy, the lever with greatest impact is not retention, but hiring and promotion. In Europe and Australia and New Zealand, promotion is a potentially important factor for improving broader female representation, particularly in terms of sourcing Professional roles. In other regions, the focus should be on external hires, bringing in female talent at equitable rates at the lower to middle career levels. (See Figure 9.)

Figure 9. Lever With Greatest Impact on Future Trajectory (Hire, Promotion, or Retention), by Level and Region

CAREER LEVEL	GLOBAL	EUROPE	US AND CANADA	LATIN AMERICA	ASIA	AUSTRALIA AND NZ
Executives	Retention	Retention	Retention	Retention	Promotion	Promotion
Professionals and above	Hire	Promotion	Hire	Hire	Hire	Promotion



A EUROPEAN PERSPECTIVE ON THE KEY DRIVERS OF DIVERSITY

We review in sequence the five key drivers of gender diversity, comparing the global data to what we see in Europe.

1. A BROAD, ENTERPRISE-WIDE FOCUS IS CRITICAL TO SUSTAINABLE CHANGE

As we have seen from the ILM maps, success in building diversity requires a focus, throughout the hierarchy, on talent acquisition, development, and retention. Neither short-term priority at the top of the pyramid nor concentration on a single workforce flow (such as equity in hiring) will drive sustainable change. Perhaps the most important aspect of a successful diversity strategy is to prioritise those programmes that will be most impactful in the given context; our experience has shown that those organisations that take a deep-dive look at their own data to establish the critical associations between potential action steps and results are most successful. Nonetheless, there are some “good practices” – relating to executive engagement, rigorous pay equity processes, and other programmes to meet the unique needs of women – that were established in our prior study as singularly important to drive improved representation.

What is surprising, in our review of the most recent data, is that the gains observed in the current year’s talent flows are neither supported by any significant improvement in the good practices described previously nor improved by confidence in a participant’s view of her organisation’s ability to attract, develop, and retain female talent. (See Figure 10.) In the current study, we find no notable improvement in these drivers of gender diversity over the past year. We believe the progress observed reflects more of an ad-hoc focus on hiring and promotion activity, driven by increased global pressure on gender equality, without the required supporting infrastructures to ensure the success of such talent placements and continued focus on equity in opportunity. Our concern is that, notwithstanding the clear improvements over what we observed in the original study, the absence of broader systemic changes in policies and practices makes it questionable whether the projected gain in representation highlighted above will be ultimately achieved.

Figure 10. Data for Average Global and European Respondents Regarding Organisational Confidence

	ALL SURVEY RESPONSES (GLOBAL)				EUROPE			
	Overall Distinct Responses	2014	2015	YOY Change	Overall Distinct Responses	2014	2015	YOY Change
Organisational Confidence								
How confident are you in your organisation's ability to attract female talent?	3.69	3.82	3.65	-0.17	3.59	3.65	3.59	-0.06
How confident are you in your organisation's ability to develop female talent?	3.57	3.74	3.51	-0.23	3.53	3.68	3.50	-0.18
How confident are you in your organisation's ability to retain female talent?	3.58	3.71	3.53	-0.18	3.53	3.60	3.52	-0.08

Interpretation: 1 = Not at all; 3 = To some extent; 5 = To a great extent

■ More than 0.05 points greater than global ■ Within ± 0.05 points of global ■ More than 0.05 points lower than global Pink/green cell shading represents YOY change more than ± 0.05 points.

2. ACCOUNTABILITY IS NOT ENOUGH – LEADERSHIP NEEDS TO BE ENGAGED IN PROMOTING AND MANAGING DIVERSITY

In our 2014 analysis, we established that the engagement of executives and men in diversity and inclusion activities was strongly linked to success in building future female representation – HR programmes alone cannot deliver gender diversity. On a global basis, our new data show little improvement in such engagement. Organisations agree that the business case for diversity is strong – notably, this was a topic that was not surveyed in 2014; that said, the engagement of executives is comparable to what was observed that year. Although we see progress on this dimension in Europe, the region is still merely aligned to the global norm. The modest engagement of executives might be improved with increased representation of women in P&L roles. (See Figure 11.)

Figure 11. Data for Average Global and European Respondents Regarding Engagement, Accountability, and Leadership

	ALL SURVEY RESPONSES (GLOBAL)				EUROPE			
	Overall Distinct Responses	2014	2015	YOY Change	Overall Distinct Responses	2014	2015	YOY Change
Engagement, accountability, and leadership								
My organisation believes there is a clear business case for improving gender diversity.	3.81	n/a	3.81	n/a	3.87	n/a	3.87	n/a
Board members are actively involved/engaged in diversity and inclusion (D&I) programmes/initiatives.	3.45	n/a	3.45	n/a	3.50	n/a	3.50	n/a
Senior executives (i.e. CEO plus direct reports) are actively involved/engaged in D&I programmes/initiatives.	3.52	3.48	3.56	0.08	3.50	3.30	3.62	0.32
Middle management is actively involved/engaged in D&I programmes/initiatives.	3.24	n/a	3.24	n/a	3.24	n/a	3.24	n/a
Men are actively involved/engaged in D&I programmes/initiatives.	3.17	3.35	3.13	-0.22	3.04	2.93	3.12	0.19
Bonuses/incentives for senior executives (i.e. CEO plus direct reports) are linked to the achievement of D&I goals.	2.10	2.20	2.08	-0.12	2.01	1.73	2.13	0.41
There are non-financial consequences (e.g. termination) for individuals who fail to drive D&I goals.	1.99	2.18	1.93	-0.25	2.02	1.85	2.09	0.24
Women are equally represented in profit and loss (P&L) roles as they are in non-P&L positions.	2.73	2.76	2.72	-0.04	2.38	2.38	2.39	0.02

Interpretation: 1 = Strongly disagree; 3 = Neutral; 5 = Strongly agree

█ More than 0.05 points greater than global █ Within \pm 0.05 points of global █ More than 0.05 points lower than global Pink/green cell shading represents YOY change more than \pm 0.05 points.

Although accountability on its own is not associated with progress in driving diversity, agreement that there is executive accountability for meeting diversity and inclusion goals is low both on a global basis and in Europe.

The clear, low-hanging opportunities are for companies to prioritise inclusion as a core competency in executive selection and development programmes and to ensure diverse slates in filling P&L roles.

3. THE ACTIVE MANAGEMENT OF TALENT DRIVES MORE FAVOURABLE OUTCOMES THAN PASSIVELY MANAGED, TRADITIONAL PROGRAMMES

Perhaps the most significant driver of progress for women uncovered in the 2014 study is strong, regular pay equity processes, with clear owners of the process and related remediation protocols. Yet, when we look at global pay equity, there is no evidence that this learning has taken root in respondent organisations. (See Figure 12.) Although Europe, again, shows some improvement compared to 2014, progress there is still below a declining norm. Obviously, companies have a considerable opportunity to focus managers on equity, leading with rigorous pay evaluation. We have seen this becoming top of mind for some leading organisations. In the past year, we have had the opportunity to team with several companies to implement formal, global pay equity processes, and we remain encouraged that as more high-profile organisations embrace this approach, rigorous implementation of pay equity will be an increasing area of emphasis in corporate governance generally.

A number of EU member states have already incorporated pay equity reporting principles into domestic law. In countries such as Finland, Sweden, Belgium, Spain, and Austria, companies must conduct and publish equal pay reports on a regular basis. The UK recently launched a consultation on the topic, and similar regulations are expected.

Figure 12: Data for Average Global and European Respondents Regarding Active Management of Pay Equity

	ALL SURVEY RESPONSES (GLOBAL)				EUROPE			
	Overall Distinct Responses	2014	2015	YOY Change	Overall Distinct Responses	2014	2015	YOY Change
Gender equality and pay equity commitments								
My organisation has a team that is formally responsible for conducting pay equity analysis.	3.17	3.34	3.15	-0.19	3.01 ■	3.00	3.11	0.11
My organisation's pay equity analysis addresses both base pay and incentives.	3.40	3.63	3.35	-0.28	3.32 ■	3.45	3.34	-0.11
My organisation's pay equity analysis relies upon a robust statistical approach (e.g. multiple regression).	2.92	3.08	2.90	-0.18	2.83 ■	2.73	2.94	0.22
My organisation has a formalised remediation process to address any pay equity risks identified.	2.84	2.98	2.82	-0.16	2.61 ■	2.50	2.72	0.22
Pay equity adjustments are made regularly as part of the annual compensation review process.	3.07	n/a	3.07	n/a	2.87 ■	n/a	2.87	n/a

Interpretation: 1 = Strongly disagree; 3 = Neutral; 5 = Strongly agree

■ More than 0.05 points greater than global ■ Within ± 0.05 points of global ■ More than 0.05 points lower than global Pink/green cell shading represents YOY change more than ± 0.05 points.

Another area linked to success in building gender diversity is an effort to ensure against unintended consequences to those who avail themselves of leave and flexibility programmes. (See Figure 13.) We see that organisations in which men are equally likely to take advantage of programmes are better situated to improve representation of women, and most organisations agree that their cultures are supportive of such flexibility for men. Europe is essentially at the global average on that dimension and perhaps ahead of the game in training managers to effectively support employees who return from leaves. Although Europe provides leave programmes to satisfy regulatory requirements, organisations still appear to "actively manage" managers via training; they effectively counter any potential bias that might fall on groups that utilise such benefits.

Figure 13. Data for Average Global and European Respondents Regarding Health and Benefit Programmes

	ALL SURVEY RESPONSES (GLOBAL)			EUROPE				
	Overall Distinct Responses	2014	2015	YOY Change	Overall Distinct Responses	2014	2015	YOY Change
Health and benefits								
My organisation has conducted analyses to identify gender-specific health needs in our workforce.	2.49	n/a	2.49	n/a	2.35 ■	n/a	2.35	n/a
My organisation's culture is equally supportive of men utilising family leave and time-off options as women.	3.76	n/a	3.76	n/a	3.78 □	n/a	3.78	n/a
Managers in my company receive training to effectively support employees through the maternity/paternity leave and return-to-work processes.	2.67	n/a	2.67	n/a	2.80 ■	n/a	2.80	n/a
My organisation provides gender-specific health education/communication/engagement campaigns aimed at supporting women to manage their unique health care needs.	2.58	n/a	2.58	n/a	2.28 ■	n/a	2.28	n/a
The gender-specific health campaigns my organisation provides also include information aimed at supporting women as the health care decision-makers for their families.	3.65	n/a	3.65	n/a	3.31 ■	n/a	3.31	n/a

Interpretation: 1 = Strongly disagree; 3 = Neutral; 5 = Strongly agree

■ More than 0.05 points greater than global □ Within ± 0.05 points of global ■ More than 0.05 points lower than global

4. HEALTH AND WEALTH SOLUTIONS IMPACT FIRMS' LONG-TERM ABILITY TO ENGAGE AND RETAIN FEMALE TALENT

Figure 13 shows that Europe is below the global average on assessing gender-specific health care needs and communicating with women about their unique risks. We have seen that such activity is linked to the employee value proposition for women. Although European companies can look to their governments to provide health care, they may still benefit from taking a more active role in promoting the health and well-being of their female employees.

Another key driver of success in building diverse representation is monitoring savings behaviour by gender and customising programmes to address differences in such behavior. Women live longer and are more risk averse, leading to disadvantageous savings patterns. Organisations that have implemented female-only financial planning workshops, focused on helping employees manage their debt as much as their savings, have seen a significant impact in terms of their ability to build female representation – likely due to an enhanced value proposition. However, Figure 14 shows that most organisations globally fail to implement such innovative solutions, and these solutions are even less common in Europe than elsewhere. In our work with client organisations, we have seen significant value in segmenting benefit programmes to meet the distinct needs and preferences of diverse populations.

Figure 14. Data for Average Global and European Respondents Regarding Retirement/Savings Programme Design

	ALL SURVEY RESPONSES (GLOBAL)				EUROPE			
	Overall Distinct Responses	2014	2015	YOY Change	Overall Distinct Responses	2014	2015	YOY Change
Retirement savings programme design								
My organisation monitors savings ratios and investment choices by gender, via our main retirement/savings programme.	2.06	2.16	2.02	-0.14	1.98 ■	2.00	2.02	0.02
My organisation's main retirement/savings education/training programme are customised to different gender behaviours.	2.07	2.15	2.05	-0.10	1.98 ■	1.83	2.05	0.22
My organisation's main retirement/savings programme addresses different work arrangements (e.g. adapted to part-timers).	2.61	2.76	2.57	-0.18	2.61 ■	2.55	2.71	0.16
My organisation's main retirement/savings programme, or other benefit programme, helps employees manage the financial well-being of their children/dependents.	2.67	2.99	2.60	-0.39	2.54 ■	2.83	2.54	-0.28
My organisation's main retirement/savings programme, or other benefit programme, helps employees manage the financial well-being of their elderly parents.	2.28	2.42	2.26	-0.16	2.13 ■	2.20	2.17	-0.03

Interpretation: 1 = Strongly disagree; 3 = Neutral; 5 = Strongly agree

- More than 0.05 points greater than global
- Within ± 0.05 points of global
- More than 0.05 points lower than global
- Pink/green cell shading represents YOY change more than ± 0.05 points.

5. MEN AND WOMEN OFFER EMPLOYERS DIFFERENT BUT EQUALLY IMPORTANT SKILLS FOR DRIVING THE BUSINESS

In the latest research, we repeated an analysis to identify the various skills and attributes that are most important for future career success, and the research findings are similar. To determine the relative importance of each characteristic, we used a conjoint analysis, asking respondents to select the most and least important attributes from a series of clustered choices. The repetition of choices and rankings allowed us to reliably rank the relative importance of each attribute. In the 2015 analysis, the top three characteristics identified globally as driving career success include, in order of importance, flexibility/adaptability to change, problem-solving skills, and strategic visioning. In the US and Canada and Europe, technical skills are valued above others.

We aligned these results on the value of various attributes with a second set of questions asking respondents to identify the current strengths

of their female and male managers, respectively. Analysing the distribution of how frequently each skill was selected for women and men revealed the top three unique strengths of female managers, in descending order, as inclusive team management/people leadership skills, flexibility/adaptability to change, and emotional intelligence. (See Figure 15 for a summary of current strengths, by gender, sorted from left to right in order of importance. The attributes with the largest gap between women and men are interpreted as the unique skills of each group.)

Although we know men and women are seen to have unique strengths, we see an encouraging result in totality: female managers are perceived to possess the skills and experiences considered most critical for future career success. To ensure that organisations are realising the advantage of the unique skills of women in their workforces, they need to ensure that such skills are fairly valued and document specific competency requirements to ensure that those with these critical skills are prioritised for leadership roles.

Figure 15. Summary of Current Managerial Strengths by Gender





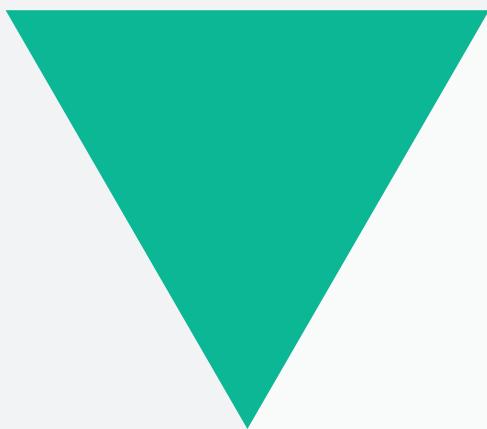
CONCLUSION AND IMPLICATIONS

While we have seen what might appear to be encouraging progress in the most recent year related to senior-level, female placements, on a global basis, evidence suggests that this success may not be sustainable over the longer term. As organisations under scrutiny have focused on “the numbers” as they move to quickly increase the representation of women in top positions, they have not put into place the systemic solutions that would be required to support long-term success. We have indirect evidence of this lack of supporting practices in the form of a persistent, high rate of exit for executive women, and we have direct evidence in the form of no clear improvement in what Mercer established last year to be the key drivers of gender diversity.

To make progress, organisations need to extend their gender focus downward in the hierarchy and they need to bolster supporting practices, such as regular pay equity review and segmented benefit programmes to address unique needs. Organisations also need to ensure that the strengths of women are specified as critical competencies for leadership roles – especially given the apparent value of those strengths as compared to the more traditional leadership competencies – and they need to drive equity in access to leadership roles.

Perhaps most significantly, organisations need to engage their leaders, and men broadly too, with a compelling case for gender diversity – starting with a deep dive review of their organisation’s own data to show the current state of diversity, the progress that can be made through focused efforts, and insight on the specific steps that will most effectively promote the representation and success of women. Our experience over the past few years proves this case – applying workforce analytics to the topic of diversity and, through that lens, specifying powerful, customised strategies to support sustainable change. Those organisations that have such strategies in place should be more boldly promoting them, to enhance their talent brand but also improve their standing with increasingly interested business partners.

We at Mercer and EDGE Certified Foundation firmly believe in an imperative to engage diverse talent to drive economic growth and innovation, and we are committed to continue our work with the employer community to accelerate such change. We are looking forward to sharing our more in depth research findings in our global report, which will be available in January 2016.



WHEN WOMEN THRIVE... BUSINESSES THRIVE.

We're enormously proud of the rigour and globality of this study, which indicates that while we've accomplished a great deal of work around gender diversity, we have not yet significantly moved the needle. And, in fact, if we fail to move forward on some key fronts in the next five years, the numbers will get worse.

Now is the time to put your roadmap together to ensure that you're capitalising on gender diversity as a key part of your growth strategy.

HOW CAN MERCER HELP YOUR GENDER DIVERSITY EFFORTS?

For further information, please reach out to those listed below or contact your local Mercer office. You may also find information about Mercer's When Women Thrive programme and resources by visiting www.mercer.com/genderdiversity.

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