

# Diversity Dressing - Progress evaluation



## Progress evaluation

In May 2020, Mercer published [Diversity Dressing: The Hidden Figures](#), in which we examined gender diversity amongst key decision makers (KDM) listed on MercerInsight™. Three years on, we revisit the data to see how the gender profile has changed in the global investment management industry. Improvement in the headline figure is only marginal, but we do find some small yet encouraging signs of progress.

We refer readers to the technical footnote at the end of this report for important comments on the data, methodology and assumptions used before turning to the results of our analysis.

## The headline figures

A snapshot of MercerInsight™ on 1 December 2022 revealed 21,452 unique individuals assigned as a KDM to at least one investment strategy by any investment manager on the database. Of these, we identified 13.7% as female, compared to 12.0% three years prior, on 1 December 2019. These results are tabulated in Figure 1, together with the gender profile of those ceasing to be ('KDM out') or becoming ('KDM in') an assigned key decision maker during the period.

**Figure 1. Summary of key decision makers 2019-2022**

	Sample	% Female
1 Dec 2019	20,040	12.0%
KDM out	6,109	14.4%
KDM in	7,521	18.8%
1 Dec 2022	21,452	13.7%

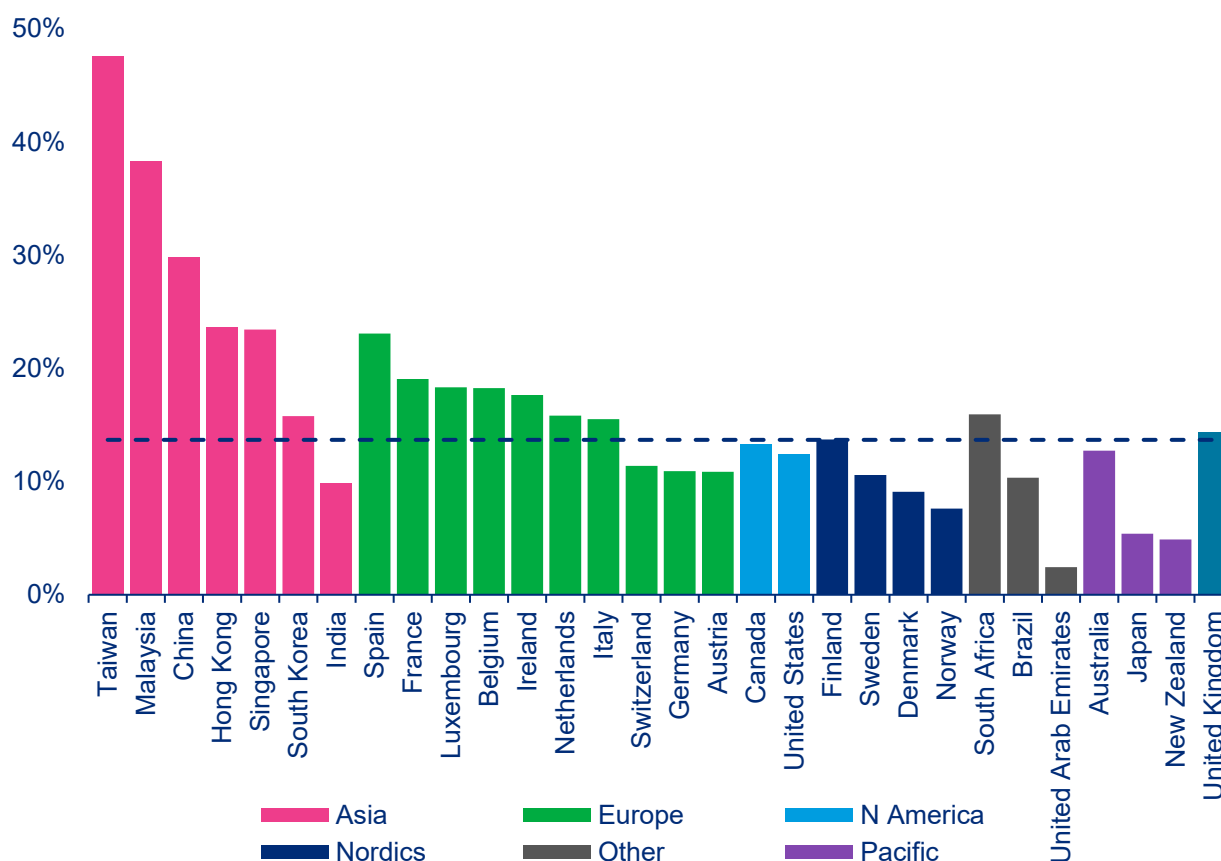
Source: MercerInsight™

The increase from 12.0% to 13.7% is disappointingly small, equating to only +0.6% annually. The proportion of newly assigned KDMs who are female is a little higher, at 18.8%, but we should not sugar-coat our disappointment that the increase in the headline figure was not higher.

## KDMs by country and region

MercerInsight™ also records the country in which each KDM is based (i.e. where they live), so we can see variations across countries and regions. The results for 2022, showing the percentage of female KDMs by country (regardless of the type of strategy they manage), are charted in Figure 2, where the dotted line represents the world average of 13.7%.

**Figure 2. Key decision makers by country/region (% female)**



Source: MercerInsight™

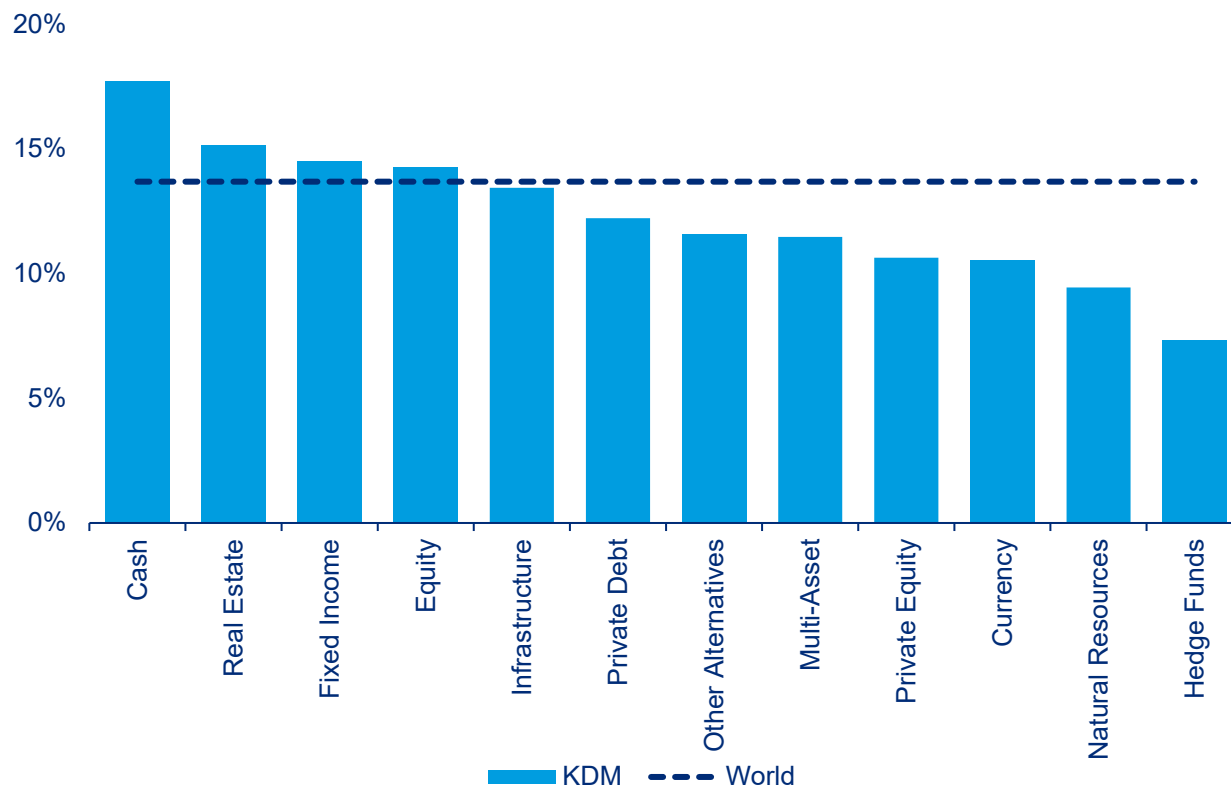
The individual country data is generally not much different to that of 2019. Of the 30 countries shown, the percentage of female KDMs has increased in 22 (notably Spain, Belgium and South Korea), remains unchanged in one and has fallen in seven (including Taiwan, Malaysia, Finland and Italy, albeit the first two from a very high base in 2019). The three largest countries by number of KDMs (USA, UK and Australia) have all seen female representation increase (by 1.4%, 2.0% and 2.9%, respectively).

In regional terms, Asia (excluding India and Japan) is still ahead of the rest of the world, followed by Europe, but with the Latin countries ahead of their Germanic/Nordic neighbours. The USA and UK are both broadly near the middle, not too far from the World average. The laggards are India, UAE, Japan and New Zealand (although the sample size in the latter is small).

## KDMs by strategy/asset class

The next chart shows the percentage of female KDMs by asset class, regardless of the country in which they are based.

**Figure 3. Key decision makers by strategy/asset class (% female)**



Source: MercerInsight™

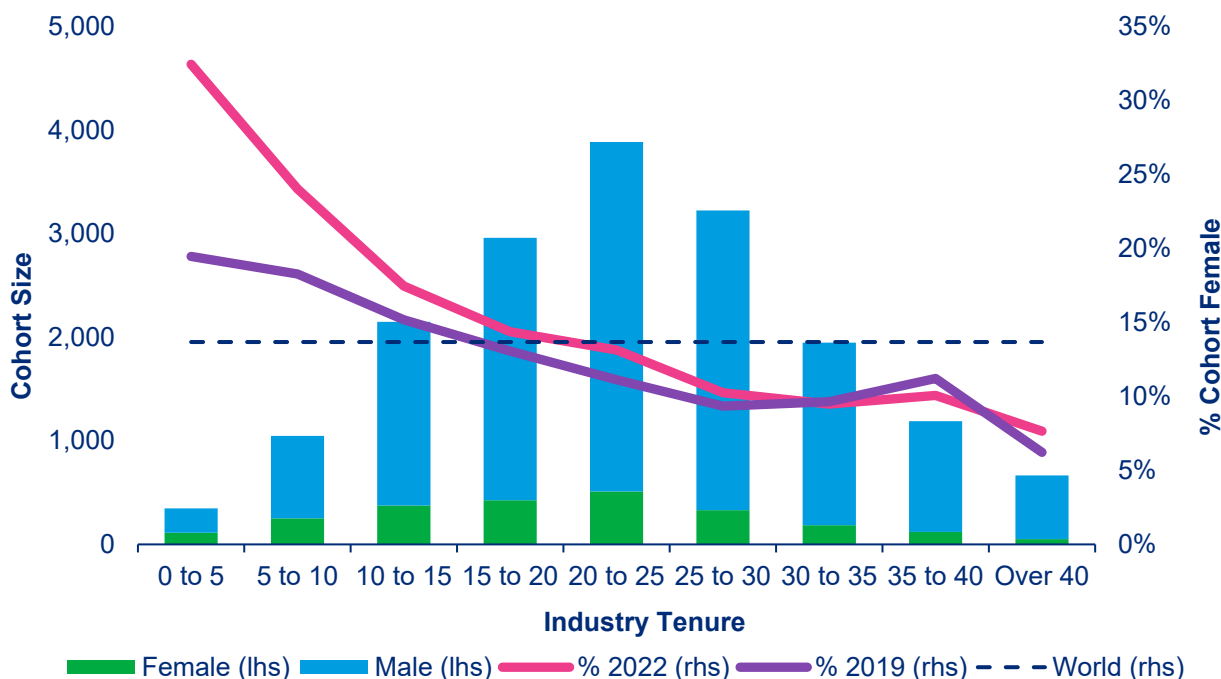
Cash management has the highest participation rate for females and hedge funds the lowest, as was the case in 2019. Curiously, cash is an asset class typically associated with low fees, whereas hedge funds are much more expensive but have the lowest female representation. That said, our key takeaway from this chart is that the range between highest and lowest is much greater across countries than across asset classes. Gender diversity is more impacted by where people live than the type of strategy (asset class) in which they are involved.

## KDMs by industry tenure

A further question we ask about each KDM is when they first started working in the industry, from which we can deduce industry tenure. Managers have supplied this data for 17,430 (over 80%) of the KDMs in our sample, and we summarise this information in Figure 4.

The green (female) and blue (male) in each column indicate the number of KDMs within each industry tenure cohort. The largest cohort is for KDMs with 20-25 years of industry experience, after which the size of cohorts shrinks (as KDMs begin to retire). The smallest number of KDMs are in the 0-5 year cohort, which is unsurprising as professionals are typically only promoted to KDM after having served a period of ‘apprenticeship’.

**Figure 4. Key decision makers by industry tenure**



Source: MercerInsight™

What is most interesting in this chart are the purple (2019) and pink (2022) lines, which show the trend in the proportion of female KDMs by cohort. Among longer-tenured KDMs (25+ years), the proportion of females in 2022 (~10% or less) was not much different to that of 2019 and well below the current world average (13.7%). However, among shorter-tenured KDMs, the proportion was much higher, and in the 0-5 year cohort, 32% of KDMs were female in 2022. This is a noticeable increase from 2019 (19%), which is encouraging. It is also above 30%, the level at which (based on critical-mass theory in politics) many commentators believe a minority becomes an influential body that can affect change. This encouraging sign extends to the 5-10 year cohort, where there has also been a noticeable increase in the proportion of female KDMs since 2019 (albeit not yet at the 30% level). At this stage, we are unable to tell if these increases are due to changes in new graduate hiring or improved retention practices after mid-career/parental breaks (an area for future investigation); nevertheless, the increases are encouraging.

## Conclusion

While we are disappointed not to see greater improvement in the headline figures over the last three years, there are signs of progress. It is particularly pleasing to see that among decision-making professionals in the earlier stages of their careers, the proportion of women is significant and increasing. This indicates that investment managers are not only hiring more women for entry-level positions but also promoting them to decision-making roles. While this is encouraging, it will take some time for the increase in younger KDMs to 'move the needle' for the overall headline figures, and there is much more to be done, but it is certainly a step in the right direction.

Mercer firmly believes that a diverse team with shared values is more likely to outperform its less-diverse peers. As such, we actively focus on diversity, equity and inclusion (DEI) as well as culture when reviewing any investment manager. Diversity goes far beyond just gender, and we consider a wide range of aspects, including identity diversity (such as gender, ethnicity, nationality and age) and cognitive diversity (how people think or approach problem-solving). A manager's corporate policies are also important. For example, does it have a formal DEI policy, has it set targets, does it use unconscious bias training and allow flexible working, and how does it hire staff? We continue to consider these factors during the manager review process and monitor them at the industry level. We will look to publish more on this in due course.



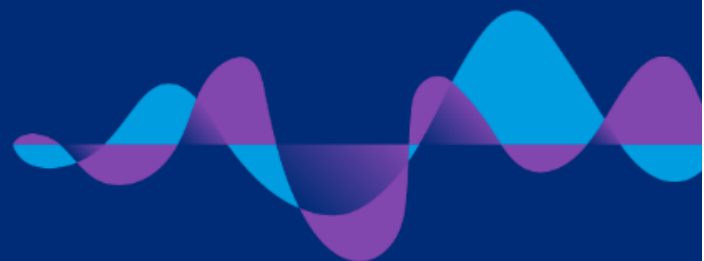
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## Technical footnote on data, methodology and assumptions

The data used in this analysis is sourced from MercerInsight™. We ask managers around the world to submit all sorts of information to this platform, including the individual KDMs for each strategy. For this purpose, KDMs are defined as portfolio managers, dedicated analysts and investment committee members who are meaningfully involved in decision-making and are accountable for portfolio and performance outcomes. For this analysis, we used these KDM listings exactly as provided by the contributing managers. While we would hope that all managers endeavour to keep KDM listings up to date, our anecdotal observation is that this is not always the case. We think it likely this introduces some bias to the data (and therefore results); for example, if a manager is slow to remove a male KDM who may have retired, this may overstate the number of male KDMs. However, while this may introduce bias to the absolute headline figures, it is less likely to impact the changes in the results between 2019 and 2022 as both end points are exposed to the same bias.

It is also important to note the gender classification of individual KDMs. Mercer fully recognizes the importance of an inclusive culture within any firm, including our own, but for the purposes of this analysis, we are limited to a binary male/female classification. We acknowledge that there will be professionals within the data who self-identify in different ways. We have used a number of techniques to assign a gender to each KDM, including: (a) the classification as provided by the manager; (b) according to the title of the individual (e.g. Mr, Ms); (c) pronouns used within biographical details, and (d) probability of gender based on given names according to US census data. Thereafter, individuals are only identified by a unique numerical ID and the results are presented in aggregate form only.

Race, ethnicity and other measures of identity were not considered in this analysis. We recognize that professionals represent a broad range of races and ethnicities globally. The multi-jurisdiction orientation of the analysis poses challenges in collecting race/ethnicity data (specifically, it is illegal to do so in certain countries), and furthermore, we are unable to infer individual characteristics in the same way that we can with gender (e.g. through the use of titles and pronouns).



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