

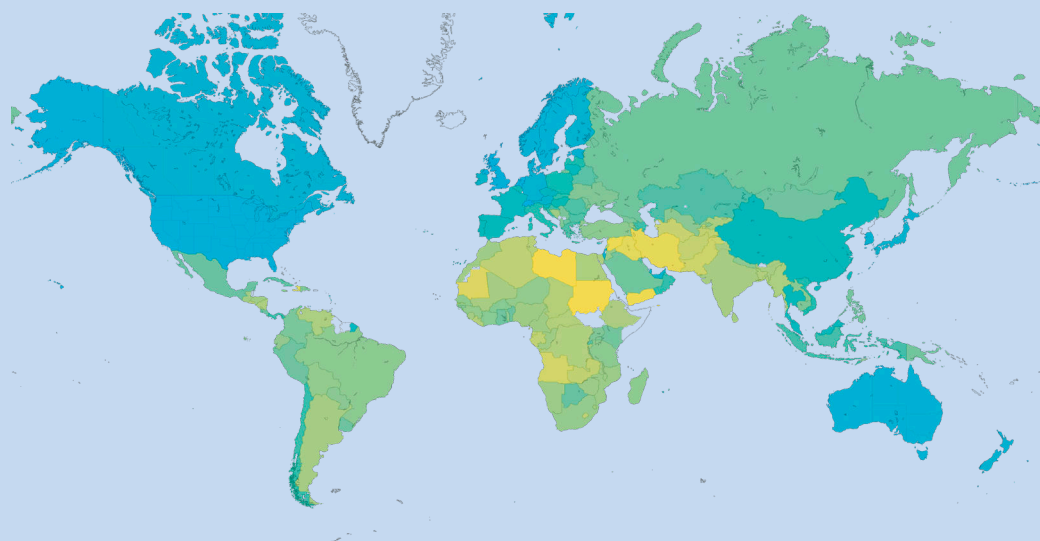
This PDF includes a contribution from the following book:

# ELITE QUALITY REPORT 2021

## EQx diversity and inclusion (D&I): Indicator family scorecard analysis

Prof. Gudrun Sander, University of St.Gallen, Switzerland

Theresa Goop, University of St.Gallen, Switzerland



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## 4.3 EQx Indicator Family and Regional Analyses

### EQx Diversity and Inclusion (D&I): Indicator Family Scorecard analysis

Discrimination has many facets. Clearly, discrimination is a form of rent-seeking and Value Extraction that, besides being ethically reprehensible, is harmful for an economy's development. For instance, a country that discriminates against women in its labor markets loses a large part of that labor force and its Value Creation potential. The literature suggests that a large part of inclusion-hindering mechanisms arise through institutional obstacles (Sander & Levy, 2021). This is a promising finding, given that institutional mechanisms can be reformed, especially in countries with powerful elites that have the potential to change policies, laws, and regulations easily and comparatively quickly. That is, when elite business models realize the benefits of inclusive institutions (e.g., a larger talent pool or increased entrepreneurship) institutions can be quickly transformed.

Gender egalitarianism is one of the well-known outcomes of the social policies promulgated by Scandinavian welfare states. In the EQx2021 D&I Indicator Family, the Scandinavian countries: Finland (rank # 1), Norway (rank # 3), Sweden (rank # 6) and Denmark (rank # 17) all score highly. The composition of indicators is driven heavily by the *Gender wage gap* (GWG, iv.12) and the *gender labor force participation gap* (LFR, iv.12) and hence this year's D&I Indicator Family primarily reflects gender equality. However, although we can learn from the Scandinavian model, success in the EQx D&I Indicator Family is not only related to gender equality practices.

#### **Labor force participation and family policies**

How do Scandinavian social policies lower the gender wage and labor force participation gap? The answer is simple: by providing family-friendly policies and high-quality, universal childcare infrastructure. Sweden, for example, has pursued such policies since the 1970s. This has enabled women to redefine their role in society, moving away from being the primary caregiver towards being full-time workers and participating in economic life like men. By equally sharing domestic chores and child rearing, men and women in Scandinavian families have reached an "egalitarian family equilibrium" (Esping-Andersen 2016). This was facilitated by social institutions but also by male adaptation, i.e. men taking on new roles within partnerships. Male adaptation occurs when women adopt full-time, life-long careers. When women keep working in part-time (instead of full-time) jobs, they still have one foot in their traditional domestic role, and families

do not transition towards the full realization of their Value Creation potential. This is what has happened in Switzerland, Germany or The Netherlands, where women commonly work part-time and remain in their traditional role as the primary caregiver. This phenomenon can, however, be interpreted as a (potentially necessary) first step for transitioning to full-time worker roles. (Esping-Andersen, 2016)

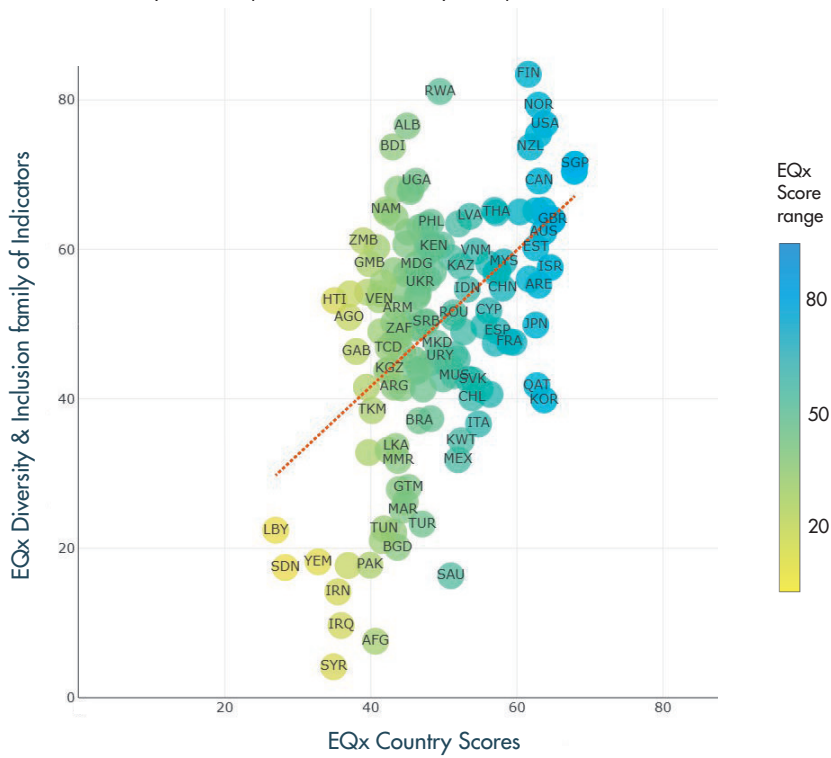
Great potential for women in the labor force seems to exist in many African countries, where women are close to being as equally present in the labor market as men. Rwanda, for example, leads the Indicator for *Labor force participation ratio - male vs female* (LFR, iv.12, rank # 1), and is closely followed by several other African countries, including Burundi. Both Burundi (rank # 7) and Rwanda (rank # 2) have very high overall EQx2021 D&I performance, their only setbacks are with indicators describing the institutional, juridical and regulatory context (e.g. WPI, i.1 & WBL, i.3). By improving laws, regulations and political power in light of gender inclusion, these countries could benefit from fully unleashing the power of women's potential in the labor market.

Israel also performs comparatively well in the *Labor force participation ratio - male vs female* (LFR, iv.12, rank # 33). However, it excels in the *Index of Women Entrepreneurs* (IWE, ii.6, rank # 1) which depicts the high Value Creation potential of Israeli women and their contribution to the economy. Entrepreneurial women may also serve as important role models, showing other women the possible rewards of female careers. The country could, however, benefit from a more gender-inclusive judicial and political system (depicted e.g. by WBL, i.3, rank # 78 & WPI, i.1, rank # 86), representing the government's commitment to a more inclusive economy.

The United States (rank # 4) is also among the top-scorers in the EQx2021 D&I Indicator Family. However, the poor ranking that it receives in the *Women's Power Index* (WPI, i.1, rank # 106) drags the overall ranking down, as the country that was once the forerunner of women's changing roles (Esping-Andersen 2016) is now falling behind the Nordics. It is increasingly the case that less educated American women are likely to not work at all (Esping-Andersen 2016), causing the high gender gap in *Labor force participation ratio - male vs female* (LFR, iv.12, rank # 59). More support to working mothers, especially those who cannot afford childcare substitutes, e.g. through parental leave entitlements, may be helpful in tackling this issue (Esping-Andersen, 2016).

**Visual 4.4:** EQx Scores correlation with the Diversity & Inclusion family of Indicators

Note: Vertical axis plots the EQx Diversity & Inclusion family of Indicators (WPI, WBL, LIN, GRI, SHI, WSB, IWE, GWG, LFR).  
 Adjusted R-squared: 0.228.  
 Orange dashed line indicates a fitted regression line.  
 Random selection of country codes are printed in case of country overlaps.



## **Labor market segregation and the gender wage gap**

Gender egalitarianism also requires equal opportunities for upward-mobility within all industries, given that gendered job segregation otherwise leads to indirect discrimination. Scandinavian countries are proof of the existence of extreme gendered job segregation: According to OECD data (2000) women are six times more likely to be employed in the health sector as men in Denmark and Sweden, and nine times as likely in Finland (Esping-Andersen 2016). Gender segregation by occupation continued to be a common feature in 2018 not only in Scandinavian countries, but also in all G20 countries, with women being over-represented in the care sectors and men in the STEM sectors (OECD, 2019). If gendered job segregation occurs, it is crucial that upward mobility and wage levels are similar for both women and men, otherwise, the segregation effect can be harmful from a Value Extraction perspective. Highly segregated labor markets with high wage discrepancies and less upward mobility in their women-specific sectors lead to Value Extraction, given that educational investments by women working in lower paid (but potentially more family-friendly) sectors do not pay off.

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One way to analyze the meaning of the effects of such segregation is to jointly interpret the gender wage gap and the labor force participation gap. Scandinavian countries, even when gendered job segregation is high, do not seem to have high wage discrimination and/or a high discrepancy in upward mobility across gender-segregated sectors. Sierra Leone, as a count-

er-example, ranks second in terms of having equal labor force participation between men and women (LFR, iv.12), but still performs poorly in its ranking for the *Gender wage gap* (GWG, iv.12, rank # 91): Although women and men do participate similarly in the labor force, women seem to still be employed in lower paid jobs with potentially less upward mobility.

The *Gender wage gap* (GWG, iv.12), as one of the main drivers in the overall D&I ranking, gives insight not only into potential compensation gaps between women and men, but also reflects the possibility of a glass ceiling, meaning that women face higher obstacles regarding career advancement. It is a very raw measure that does not directly provide evidence of discrimination. Discriminatory wage practices can be detected by more sophisticated statistical modeling based on detailed data, such as hierarchy and the rank of particular employees. Switzerland has adopted a policy to detect discriminatory wages at the firm level. With the so-called 'Logib' model, Switzerland is one of the pioneers in mandatory wage analyses based on a scientifically valid method. Given its recent implementation, the effects of this policy are not yet evident. However, the initiative has sparked awareness and transparency on the topic of fair wages, not only in Switzerland, but also globally, as Value Creation based on eliminating barriers and discrimination is an imperative for all healthy economies.

*Prof. Gudrun Sander and Theresa Goop,  
University of St.Gallen, Switzerland*



## Diversity & Inclusion

Countries covered: 151

Indicators included:

		Weight within Family	Weight within EQx
WPI	Women's Power Index	7.2%	0.4%
WBL	Women, business and the law	5.9%	0.4%
LIN	LGBT+ Inclusiveness	5.9%	0.4%
GRI	Religion - Government Restriction Index	3.0%	0.2%
SHI	Religion - Social Hostilities Index	5.9%	0.4%
WSB	Women self made billionaires	3.0%	0.2%
IWE	Index of Women Entrepreneurs	13.9%	0.8%
GWG	Gender wage gap	27.6%	1.6%
LFR	Labor force participation ratio - male vs fe	27.6%	1.6%

### Rationale

The Diversity & Inclusion (D&I) Indicator Family is a construct formed by 9 Indicators. The weighting of each Indicator is conceptual and will likely evolve in new iterations of the EQx. The rationale of the D&I Indicator Family is simple. Any type of discrimination from gender to religion has a business model logic, constitutes a form of rent-seeking, and compromises Value Creation. Those discriminated against face barriers that hinder or prevent them from realizing their potential for Value Creation. Moreover, society suffers a serious loss, while the overall Value Creation potential of the economy is compromised.

Diversity & Inclusion Indicator Family, total weight **6.0%**

Rank /151	Country	Score	Rank /151	Country	Score	Rank /151	Country	Score
1	Finland	83.4	51	Nigeria	57.2	101	Uruguay	45.7
2	Rwanda	81.1	52	Lithuania	57.1	102	Bulgaria	45.3
3	Norway	79.3	53	Russian Federation	56.9	103	Niger	45.2
4	United States	76.8	54	Portugal	56.9	104	Colombia	44.8
5	Albania	76.5	55	Nepal	56.8	105	Peru	44.5
6	Sweden	75.4	56	Senegal	56.8	106	Kyrgyz Republic	44.0
7	Burundi	73.7	57	Tanzania	56.6	107	Uzbekistan	44.0
8	New Zealand	73.7	58	Cambodia	56.1	108	Bosnia and Herzegovina	43.7
9	Singapore	71.4	59	Austria	56.0	109	Ecuador	43.7
10	Switzerland	70.5	60	Ukraine	55.5	110	Mauritius	43.1
11	Canada	69.2	61	Eswatini	55.5	111	Costa Rica	42.7
12	Uganda	69.1	62	United Arab Emirates	55.2	112	Panama	42.6
13	Togo	68.1	63	China	54.8	113	Slovak Republic	42.5
14	Guinea	68.1	64	Indonesia	54.7	114	Qatar	41.8
15	Lao PDR	67.7	65	Cameroon	54.7	115	Argentina	41.6
16	Namibia	65.3	66	Equatorial Guinea	54.3	116	Lesotho	41.6
17	Denmark	65.2	67	Congo, Dem. Rep.	54.1	117	Honduras	41.5
17	Slovenia	65.2	68	Burkina Faso	54.1	118	Paraguay	41.3
19	Germany	65.2	69	Tajikistan	54.1	119	Oman	41.3
20	Ireland	65.0	70	Trinidad and Tobago	53.7	120	Hungary	40.6
21	Congo, Rep.	64.9	71	Venezuela, RB	53.3	121	Chile	40.2
22	Thailand	64.9	72	Haiti	53.2	122	Korea, Rep.	39.9
23	Latvia	64.4	73	Armenia	52.1	123	Turkmenistan	38.4
24	Zimbabwe	64.3	74	Cyprus	51.8	124	Dominican Republic	37.3
25	United Kingdom	64.0	75	Romania	51.5	125	Brazil	37.1
26	Netherlands	63.8	76	Angola	50.9	126	Italy	36.6
27	Philippines	63.6	77	Cuba	50.9	127	Kuwait	34.4
28	Azerbaijan	63.4	78	Jamaica	50.5	128	Sri Lanka	33.6
29	Botswana	63.3	79	Serbia	50.3	129	El Salvador	33.1
30	Guinea-Bissau	63.0	80	Sierra Leone	50.2	130	Algeria	32.8
31	Timor-Leste	62.3	81	Georgia	50.2	131	Mexico	31.8
32	Australia	62.3	82	Japan	49.9	132	Myanmar	31.8
33	Zambia	61.2	83	Poland	49.8	133	Guatemala	28.1
34	Papua New Guinea	60.9	84	Côte d'Ivoire	49.7	134	India	27.9
35	Mozambique	60.7	85	Bolivia	49.5	135	Jordan	26.2
36	Benin	60.6	86	South Africa	49.3	136	Morocco	25.1
37	Ghana	60.4	87	Spain	49.1	137	Turkey	23.3
38	Kenya	60.4	88	Croatia	49.0	138	Tunisia	22.6
39	Liberia	60.3	88	Central African Republic	49.0	139	Libya	22.4
40	Estonia	60.2	90	Malawi	48.4	140	Egypt, Arab Rep.	22.1
41	Mongolia	60.0	91	Mali	48.4	141	Lebanon	21.0
42	Vietnam	59.8	92	France	47.6	142	Bangladesh	20.1
43	Moldova	59.4	93	Czech Republic	47.6	143	Yemen, Rep.	18.2
44	Belarus	58.9	94	Bahrain	47.5	144	Pakistan	17.7
45	Malaysia	58.3	95	North Macedonia	47.4	145	Mauritania	17.7
46	Gambia, The	58.1	95	Nicaragua	47.4	146	Sudan	17.4
47	Belgium	58.0	97	Chad	46.8	147	Saudi Arabia	16.3
48	Madagascar	58.0	98	Gabon	46.3	148	Iran, Islamic Rep.	14.2
49	Kazakhstan	57.8	99	Ethiopia	46.2	149	Iraq	9.7
50	Israel	57.6	100	Greece	45.9	150	Afghanistan	7.6
						151	Syrian Arab Republic	4.1

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