Evalinde
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INTERVIEW

Tackling gender inequality on pension boards

Evalinde Eelens speaks to Francesca Fabrizi about why gender inequality still exists on Dutch pension boards, what the potential consequences are, and how it can be improved

From investment strategist to pension scheme board member on multiple Dutch pension schemes, you have a strong and varied background in the sector. Please tell us more.

■ In 2009, I commenced my career in the pension industry as an investment strategist. To my surprise, I discovered a deep passion for this field, despite its common perception as a slow-moving and dull industry. In reality, there hasn't been a dull moment since, given the dynamic changes occurring within the sector.

I currently hold the position of an executive board member for the Dutch industrywide private security pension scheme; a board position for the Dutch painters' pension scheme; and I serve as a supervisory board member for the Robeco corporate pension scheme. Additionally, I work as an associate at Muse Advisory, a UK-based firm. In this capacity, I offer expertise in advising pension schemes on matters related to investment governance and fiduciary management.

Before transitioning into my current role as a full-time trustee and supervisor, I worked as an investment strategist, providing advisory services on investments to various Dutch and international pension schemes. I gained valuable experience in esteemed organisations such as PGGM and A&O Services.

I am a staunch advocate for outstanding (investment) governance. I am keen on broadening my scope to include non-pension board positions, recognising the potential for mutual learning and collaboration across diverse sectors.

You recently earned a Cum Laude MBA degree in Sustainable Business in the Global Economy, with a focus on gender diversity with pension schemes.

■ I did indeed and, as a proud recipient of the Female Ambassador Scholarship during my pursuit of an MBA, I dedicated my master's thesis to delving into the crucial realm of gender diversity within pension schemes. Motivated by the desire to shed light on the prevailing gender disparities, I conducted interviews to gain insights into the attitudes and behaviours of those with gender parity in their boards – compliant pension funds – and those without gender parity in their boards – noncompliant pension funds.

The findings underscored a significant distinction between the two, revealing that compliant pension scheme boards are more proactive in their approach to societal responsibilities, particularly concerning gender diversity. Unlike their noncompliant counterparts, who primarily focus on ensuring the financial wellbeing of their members, compliant boards see their role as extending beyond financial objectives. Notably, they recognise a broader responsibility and impact of pension schemes on society.

The research highlighted that taking on more social responsibility, particularly in the realm of gender diversity, can positively influence financial results. However, this perspective is largely absent among noncompliant pension scheme boards. Those who embrace a larger responsibility often do so with the aspiration to fulfil the European Commission's pension scheme purpose statement of "maintaining standards of older people and protecting them from poverty" and contributing to the Sustainable Development Goals (SDGs) for "peace and prosperity for people and the planet".

The study also pointed out that noncompliant pension scheme boards tend to exhibit a status quo bias, resisting proactive changes in policies or behaviour. This results in a passive stance towards social partners, a lower appetite for change, and a noticeable lack of gender diversity policies. In contrast, compliant pension scheme boards see themselves as catalysts for change and role models, leading to a more proactive stance towards social partners and a higher willingness to embrace change. This proactive approach makes compliant pension scheme boards more agile in general.

Do you believe the lack of gender diversity on Dutch pension boards can improve/is improving?

■ The Dutch pensions industry confronts an ongoing challenge of inadequate gender diversity, with the rate of improvement falling short of desired levels. This concern becomes particularly pronounced as the industry navigates a substantial transition, grappling with challenges such as increased transparency requirements, a lack of diversity, issues in the reappointment process of trustee board members, disappointing financial returns, and a noticeable shortage of talent.

Against this backdrop, the World Economic Forum's report in June 2023 underscores that gender parity has progressed by only 4.1 percentage points since 2006, with an evident slowdown in the overall rate of change. This deceleration finds reflection within the composition of Dutch pension boards, where the rate of women ascending into leadership positions experiences a slowdown, resulting in a significant decrease in female representation up the organisational hierarchy.

As the Dutch pensions industry approaches this pivotal transition, these challenges emerge as critical focal points for successfully implementing required changes. The nexus between gender diversity and these challenges reveals intriguing connections, positioning gender diversity not merely as a challenge but as an integral part of the solution.

For instance, the inclusion of at least one female board member has proven effective in mitigating the risk of financial reporting fraud, as evidenced by Lenard et al.'s findings in 2017. Furthermore, a gender-diverse board is acknowledged for its potential to enhance sustainability profiles, fostering increased transparency, superior reporting practices, heightened involvement in sustainable projects, and promoting better ethical standards, according to studies such as those by Dwekat et al. (2020), Haque & Jones (2020), Jaggi et al. (2021), Kirsch (2018), and Qureshi et al. (2020).

Reframing the lack of diversity as a challenge that can be addressed through a more gender-diverse board not only acts as a response to the current diversity deficit, but also functions as a magnet, attracting a more diverse pool of future talent, as suggested by Booth-Bell (2018) and Shrivastav & Lakshmi (2016). Similarly, the reappointment process of trustee board members becomes an opportunity for positive change.

In the context of disappointing financial returns, the transition to a new pension system is prompted by the unpredictability of financial outcomes and the increased risk of unmet pension promises in the current system. Gender diversity emerges as a factor that can contribute to addressing these challenges, as suggested by studies like Byron & Post (2016), Reguera-Alvarado & Bravo-Urquiza (2020), and Terjesen et al. (2009).

Lastly, the shortage of talent, highlighted by the Dutch supervisor DNB, becomes a more addressable issue through the inclusion of more women in the trustee board member selection process. This strategic approach aligns with the imperative to identify sufficient candidates for pension scheme board vacancies, as emphasised by DNB (n.d.), Doldor et al. (2012), and Shrivastav & Lakshmi (2016).

What will it take for things to go in the right direction?

■ Compliant boards should act as ambassadors, while noncompliant ones are urged to take responsibility and conduct more research. The involvement of social partners, regulators, and industry organisations is essential.

Additionally, pension scheme boards are advised to reconsider their focus on the SDGs, challenge status quo behaviour, adopt best practices, and implement diversity policies in recruitment processes.

Regulators are recommended to reconsider guidance on gender diversity and provide best practices guidance. The government is urged to enhance incentives for women in the workforce; while stakeholders are encouraged to contribute by enlarging candidate pools, and promoting the visibility of female leaders. The overarching goal is to foster gender diversity within pension schemes for the benefit of the industry and the broader economy.