

Macro Focus

Gender equality is part of sustainable development

- ▶ Work remains to be done with regards gender equality fulfill the goals of the 2030 Agenda
- ▶ Several proposed reforms could increase equality, the hard part is choosing the right ones
- ▶ Social bonds a fresh market with great potential

Gender equality issues have been on the table for some time, but policymakers still have to actively push for change to achieve the desired results both on an individual level and for society. In a previous [analysis](#) we covered the positive effects that gender equality can bring with it. In this report we look at Sweden in relation to the UN's Sustainable Development Goals according to the 2030 Agenda with a focus on gender equality.

The government has taken a number of measures to increase gender equality, but we argue that more has to be done. Outside the political arena, businesses can also drive change. In addition to green bonds, there is now also a small market for gender bonds, which promote gender equality. Gender bonds have been issued in Australia, among other places, and to date have generated considerable demand (Reuters). They are part of a growing market for social bonds that we describe in more detail in this analysis.

To improve equality between women and men, it is critical to understand the underlying causes. We argue that a number of measures have to be taken, preferably with support from politicians on both sides of the political spectrum. Studies have suggested that it may be necessary to reassess the public benefit system, to train the staff at the Swedish Public Employment Agency on gender equality issues and to change the system of parental insurance (ESO 2018:2, Cheung 2018 and ESO 2017:5). Swedbank Macro research does not take a position on which of the proposed measures are preferred. It is likely that a broad-based approach is needed.

This is the second report on gender equality. Other analyses in Swedish can be found in our [personal finance reports](#).

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The UN's global Sustainable Development Goals



Source: Swedish International Development Agency (Sida)

More has to be done to fulfill the 2030 Agenda

We evaluate three of the indicators that are included in Swedbank's Sustainability Indicators and refer to the fifth Sustainable Development Goal on gender equality in the 2030 Agenda. In two of these three, Sweden ranks high in relation to EU28. For the third indicator, Sweden rates on the low end, and we argue that more needs to be done to reduce the gender pay gap. Politicians as well as companies are in a position to influence. To increase equality, some studies have suggested reforms such as changes to parental insurance and a reassessment of public benefits (ESO reports 2017 and 2018). Other measures worth considering are language training and subsidised employment in the hope of supporting supply and demand and reducing labour market mismatches, especially for foreign-born women. Efforts to increase gender equality have also begun to impact the financial market, where a new type of instrument has evolved in the form of social bonds, which include gender bonds.

2030 Agenda for Sustainable Development

Long-term growth prospects and well-being go hand in hand with sustainable thinking and social inclusion, including equality between genders. We are not alone in thinking that gender equality is a worthy goal, in that it strengthens the labour market and raises GDP. We also feel that greater equality would raise the purchasing power of households, and in turn impact inflation. To support sustainable development, the UN has created a framework to address social challenges, including equality between women and men.

The resolution for the **2030 Agenda for Sustainable Development**, which contains 17 Sustainable Development Goals (SDGs), was adopted by the UN about 2.5 years ago. Statistics Sweden was asked by the government to provide a statistics-based analysis of Sweden's implementation of the 2030 Agenda, which initially meant a status report on how well we are living up to the SDGs (Statistics Sweden, April 2017). The fifth SDG concerns gender equality and includes 14 indicators.

Since 2012 Statistics Sweden has tracked Sweden's **gender equality policy**, which, until the 2030 Agenda took effect on 1 January 2016, included four goals: an equal division of power and influence, economic gender equality, an equal distribution of unpaid housework and provision of care, and an end to men's violence against women (Statistics Sweden, October 2017). Once the 2030 Agenda was adopted, Statistics Sweden was asked to formulate additional indicators for two new goals: equal health and equal education.

It's worth noting that all individual-based data in Statistics Sweden's status report are gender specific if possible, which means that other indicators within the SDG framework can illustrate Sweden's progress on gender equality. Initially we mention some of the results from **Statistics Sweden's status report** on the 14 indicators included in the fifth SDG on **gender equality** (Statistics Sweden, April 2017). Five of them cannot be measured due to various limitations, while the other nine indicators are measured with either a specific indicator, a proxy or an alternative indicator better suited to a Swedish context.

In the report published in April 2017, Statistics Sweden showed, among other things, that women earned 80% of the disposable income of men (2014). Another indicator showed that women devote 16.0% of the day to unpaid household work and caregiving, while men spend 12.6% (2010/11). A third indicator in the report noted that 8.6% of women have access to a mobile phone paid for by their employer versus 20.5% for men (2015). The section also covers the percentage of women in executive positions in the public and private sectors, which we cover in more detail below in **Swedbank's Sustainability Indicators of gender equality**.

Social bonds on the rise

In the wake of new regulations and international consensus, sustainable companies and investments are becoming the norm across the globe. One market that has reached Europe in recent years is green bonds, which have attracted great interest. Despite exponential growth over a decade, green bonds are still seen as a niche product and their value is estimated at less than 1% of the total value of all bonds issued internationally (SOU 2017:115). Another market that is much smaller and still untapped in Sweden, but which offers great **global potential**, is social bonds, which include gender bonds. While gender bonds by themselves will not eliminate inequality, they can help to draw attention to socially responsible companies.

From an investor's perspective, this form of investment offers long-term potential and may interest those who want to engage socially. It may appeal, for example, to buy-and-hold investors. Socially responsible investments such as gender bonds can be seen as a complement to other financial instruments. In this way, a (corporate or institutional) investor has an opportunity to achieve financial and social goals at the same time.

As is the case with green bonds, the proceeds from gender bonds are earmarked for purposes of improving sustainability, in this case gender equality. For example, the National Australia Bank (NAB) last year issued a gender bond where the proceeds were used to refinance organisations cited as Employees of Choice for Gender Equality by the Australian Workplace Gender Equality Agency. Other gender bonds have been issued by the World Bank and Australia's QBE Insurance Group, the latter based on a securitisation, i.e., the bond invests in paper issued by companies that support workplace gender equality. Studies find, for example, that companies with more women employees generate higher profits than other companies. In addition, companies with women in executive positions performed better than those without, and gender quotas have, according to a study of Swedish politics, helped to raise the level of competence in both the short- and medium-term (e.g., the Economist, 10 March 2018; Expert Group on Public Economics [ESO] Report 2017:5; and Center for Business and Policy Studies [SNS], research report no. 41). In other words, gender equality can help businesses profit. Whether and how issuers in Sweden issue bonds backed by social projects remains to be seen, but it is possible that NAB and QBE's success will be seen as an inspiration here in Sweden and globally.

The challenge for gender bonds is how to measure the investment's impact – which is much easier for green bonds, where investors can see by how much CO2 emissions have declined. Last year the high demand for social bonds encouraged the International Capital Market Association (ICMA) to issue [guidelines](#) on transparency and reporting for this form of investment. These guidelines are the standard in the international market for green, social and sustainability bonds. Swedbank therefore uses the ICMA guidelines as a basis when working with these investment forms. The ICMA defines social bonds as *any type of bond instruments where the proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible social projects*. These projects must have a positive social impact, though sometimes they also have a beneficial environmental impact. The instruments must be regulated by the same capital market and financial regulations as for other fixed income instruments. Basically, there are four core components in the ICMA's guidelines: use of proceeds, process for project evaluation and selection, management of proceeds and, last but not least, reporting.

The organisation Equileap has tried to identify companies that have outperformed on gender equality. Based on 19 criteria in four categories (gender balance in leadership & workforce, equal compensation & work life balance, policies promoting gender equality, and commitment to women's empowerment) the companies are ranked and a list of the 200 that have demonstrated the strongest commitment to gender equality is presented.

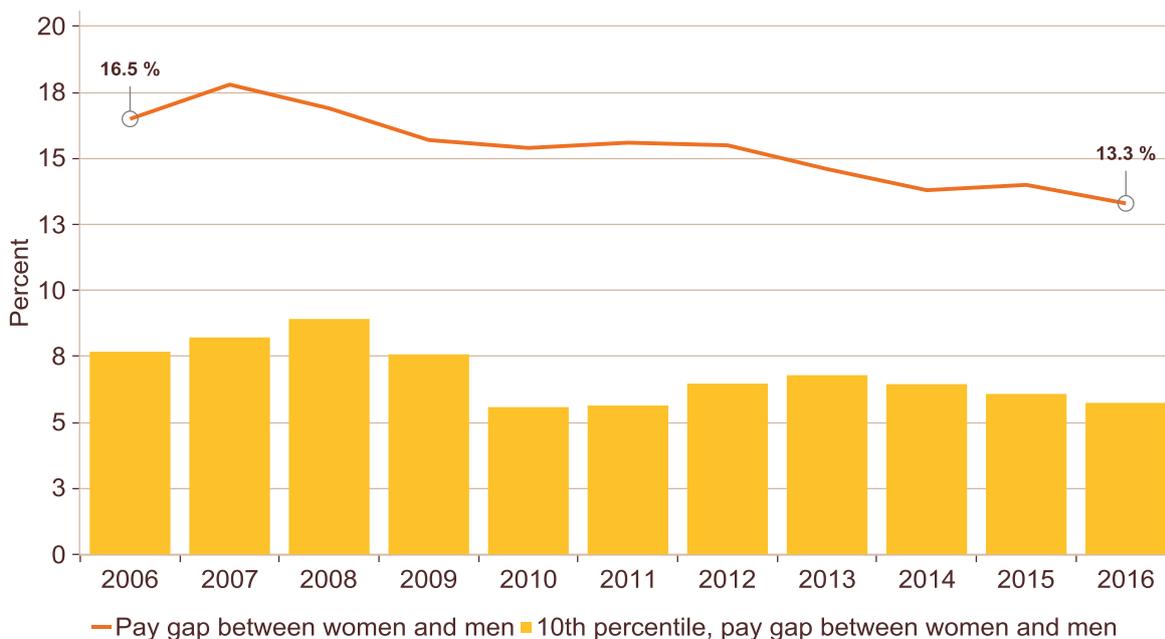
Connection to Swedbank's Sustainability Indicators

Swedbank's Sustainability Indicators were introduced in January. Based on the UN's SDGs, we have created 40 indicators to illustrate, and eventually track, Sweden's position in relation to the SDGs. The indicators represent 14 of the 17 SDGs and are divided into four sustainability categories: growth, social inclusion, environmental protection, and governance and institutions. The social inclusion category includes ten indicators, three of which are based on the fifth SDG on gender equality. In the following section we delve into these **three indicators**. It is important to note that we have chosen our indicators partly based on their relevance for the countries in our analysis from January (Sweden and the Baltic countries) and partly based on available and comparable data for these countries. The indicators should therefore be considered a relevant but limited way to track gender equality. Keep in mind that the conclusions below are not broad enough to provide a complete and fair picture of Sweden's position on every aspect of gender equality.

One of these three indicators is the **unadjusted gender pay gap**, where differences by working hours, profession, sector and age are not taken into account. According to the most recently available data, the unadjusted pay gap between Swedish women and men was 13.3% in 2016, which represents a **slight decline** from ten years ago, in 2006, when it was 16.5%. Sweden remained above the benchmark throughout the period, in the 10th percentile of the unadjusted pay gap for the EU28. (Note that 2015-2016 only includes 25 of the EU's 28 countries due to a lack of data, which affects the benchmark set in 2015.) This means that **Sweden has a larger gender pay gap** than the leading 10% of EU countries, which in 2016 had an adjusted gap of 5.7% at most. In our analysis Sweden is currently given a red traffic light for this indicator since it only reached 46% of the benchmark (see [Macro research from January](#) for a more detailed explanation of the methodology behind Swedbank's Sustainability Indicators). Structural factors (e.g., that the Swedish public sector is a female-dominated profession and a larger sector relatively than in the EU) may have an underlying impact on the benchmark. This probably explains why Sweden receives a red light when the data are unadjusted for various sectors, etc.

The pay gap remains fairly large in Sweden

Unadjusted pay gap between women and men, 10th percentile for EU28*, %

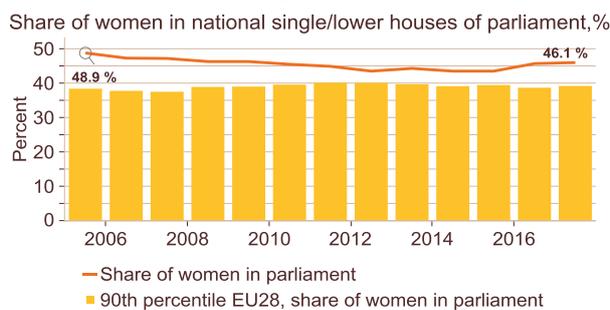


Note: *The 10th percentile for 2015-2016 included only 25 of the EU's 28 countries.
Source: Eurostat, Swedbank Research & Macrobond

The two other indicators included in Swedbank's Sustainability Indicators are designed to measure women in leadership roles. One is the proportion of women in national or federal unicameral or lower houses of parliament, which in a Swedish context means the **proportion of women in parliament**. According to the most recently available data from 2017, 46.1% of MPs were women, a **slight decrease** from 2005, when it was 48.9%. In the last two elections (2010 and 2014) the proportion of women elected fell and last year it was slightly lower than the proportion of eligible female voters in the population. It is worth noting that a new party, the Sweden Democrats, entered parliament in 2010, which may have affected the gender distribution. In comparison with the 90th percentile in the EU28, **Sweden ranked on the high end**, and we therefore give the indicator a green light since Sweden reached the benchmark by a wide margin.

The third gender equality indicator measures **the proportion of women in executive positions**, including corporate boards, CEOs and employee representatives of **Sweden's largest listed companies** (30 largest public companies registered in Sweden). According to the most recently available data for 2017, this percentage was 35.9%, a **clear increase** since 2005, when it was 21.3%. In relation to the 90th percentile in the EU28, we also rank on **the high end**. In addition, Sweden has trended upward over time. In terms of performance, Sweden has reached 100% of the benchmark.

The share of women in parliament has decreased



Note that the graph also includes years between parliamentary elections. Source: European Institute for Gender Equality, Swedbank Research & Macrobond

The share of women in corp. manag. has increased



Source: European Institute for Gender Equality, Swedbank Research & Macrobond

In general, Sweden ranks high in relation to the EU28 for two of the three discussed indicators. The percentiles in these cases may not generate sufficiently ambitious benchmarks, however, and national goals may be more appropriate. Taken together, there is still work to be done to reduce the pay gap between women and men.

Swedbank's Sustainability Indicators: Gender equality

Social inclusion: Gender equality	Sweden	Benchmark	% Benchmark
Share of women in national single/lower houses of parliament,%*	46.1	39,5***	● 100
Share of women in management/boards/employee representation in largest listed companies,%*	35.9	29,6***	● 100
Unadjusted pay gap between men and women, 10th percentile for EU28,%**	13.3	6.1****	● 46

*latest available data 2017 **latest available data 2016
 90th percentile for EU28 year 2015 *10th percentile for EU25 year 2015

Note: Actual data updated after the [January publication](#). Source: Eurostat, European Institute for Gender Equality, Swedbank Research & Macrobond

Reforms that can contribute to social development

In this analysis we show where Sweden stands in relation to the UN's Sustainable Development Goals, one of which is gender equality. These results, like those of our previous [analysis](#), show that Sweden has more to do in order to increase gender equality. All indications are that no single measure will suffice and that a number of actions are needed. Summarised below are recommendations from studies on increasing gender equality. Swedbank does not try to assess whether one is better than the other. We feel it is likely that an array of measures is needed and that broad political support is desirable for the sake of long-term stability.

First, it is important that the underlying causes of gender inequality are examined – otherwise it will be difficult to alleviate the problem. The difference in the employment rates between genders is largely due to a lower rate for foreign-born than native-born women (11 percentage points). This in turn infers that some women either are not looking for work or are students (4 percentage points), while a larger proportion are unemployed (7 percentage points). To increase the number of foreign-born women in the workplace, and thus their labour supply, it may make sense to reassess Sweden's benefit system, so that both genders are treated similarly and both are incentivised to join the workforce (see [ESO 2018:2](#) in Swedish for more details).

Secondly, measures are needed to strengthen demand for foreign-born women and reduce mismatches in the labour market. This may include language training, subsidised hiring and education. The [Swedish Public Employment Agency](#) has stated that the programs available to men and women are unevenly distributed and that more research is needed to study what works, for whom and why. The Public Employment Agency has nevertheless proposed such measures as gender mainstreaming, training in gender equality and nondiscrimination for government employees and more measures for female-dominated professions.

It should be noted here that the government has already taken a number of measures to increase gender equality – e.g., SEK 60 million was invested in the spring budget in Swedish language training for immigrants and another SEK 15 million for language education and other measures in connection with parental leave. The government estimates spending on gender equality and integration of recent immigrants at SEK 24 billion for 2018. This represents about 2.4% of annual government spending (just under SEK 1 trillion; the figures are adjusted for the spring budget).

Thirdly, measures are needed to reduce the gender pay gap. An ESO Report (2017:5) proposes fixed entry level wages by profession, changes to parental insurance and fewer days of parental leave. The latter may also impact parents' pensions, since the current pension system is based on the principle of lifetime income. Since 2016 the government has been conducting a long-term study to reassess parental leave and insurance. A proposal has been circulated for comment with feedback expected this month. (Two other proposals are also awaiting comment, with the government hoping to present a bill to parliament this spring.) One of the key consultative bodies is the [National Institute of Economic Research](#), while another, the [Swedish Association of Local Authorities and Regions](#), has already said that it is positive, at least to the initial report.

Last but not least is the often controversial measure of gender quotas. On the one hand, there is a study that shows that quotas have increased the proportion of women in executive positions. On the other hand, another study shows that gender quotas for corporate boards may send a positive signal but probably do little more in the short- and medium-term (ESO 2017:5 and SNS research report no. 41).

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