

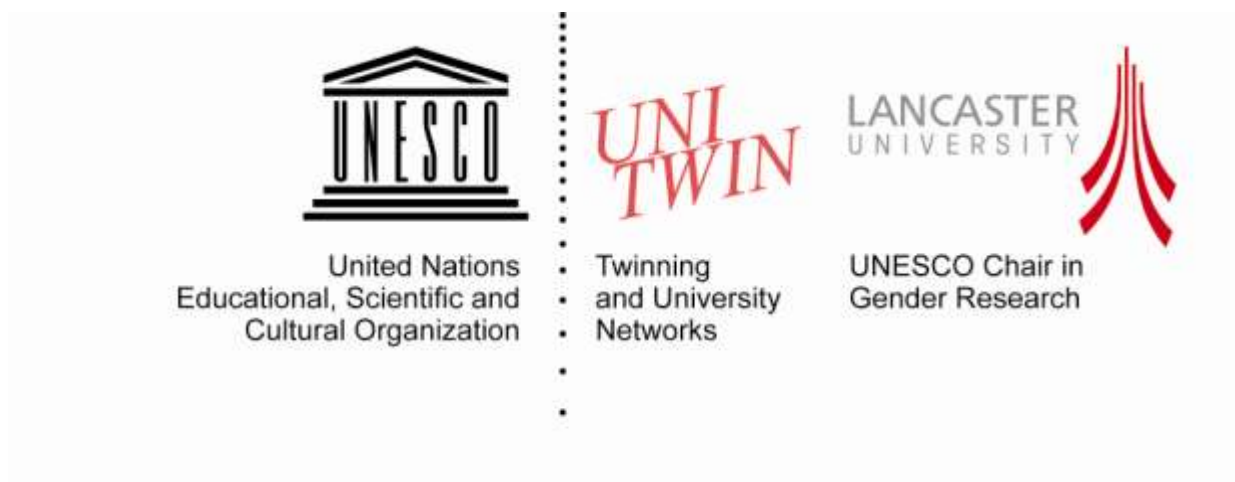
The future of financial services supervision in the EU: Recommendations for the inclusion of gender

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The future of financial services supervision in the EU: Recommendations for the inclusion of gender¹

The European Commission process to reform financial governance is welcomed. All the main objectives and recommendations of the de Larosière report² are welcomed; but they would be more effective if they were further developed so as to take account of the gender dimension. The Commission proposes that 'the interests of European investors, consumers and SMES, must be at the centre of the reform'³. While these are relevant actors, the range of actors named is too narrow. As Stiglitz⁴ has argued, all those who may suffer from the regulatory failure of financial institutions have an interest in its reform. This includes women.

The governance of the financial architecture is gendered in the principles, aims, practices and knowledge base that underpin decisions; and in the composition of the governing bodies, where there is a huge under-representation of women.

The aims and goals of institutions of financial governance are implicitly gendered. These goals have prioritised the requirements of finance capital at the expense of the paid and domestic economies, and in so doing have supported gender inequality. The goals of these organisations could include

¹ This note is derived from a larger paper, 'Gender and the Financial Crisis', which contains a fully referenced review of these issues. It is available at: http://www.lancs.ac.uk/fass/doc_library/sociology/Gender_and_financial_%20crisis_Sylvia_Walby.pdf. This is part of an analysis in Sylvia Walby (2009) *Globalization and Inequalities: Complexity and Contested Modernities*. London: Sage.

² De Larosière, Jacques (2009) *The High Level Group on Financial Supervision in the EU*. Chaired by Jacques de Larosière. http://ec.europa.eu/commission_barroso/president/pdf/statement_20090225_en.pdf

³ Commission of the European Communities (CEC) (2009) *Driving European Recovery*. Volumes I and II. Communication for the Spring European Council. COM (2009) 114 final. Brussels.

⁴ Stiglitz, Joseph E. (2009) *Principles for a New Financial Architecture*. The Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System. <http://www.un.org/ga/president/63/commission/newfinancialarchitecture.pdf>

gender equality, making reference to binding EU commitments to the value of gender equality in its Treaties and Directives. Financial governance concerns more than financial stability; it is a set of governing institutions with systemic effects which could be mandated to support the overall goals of the EU for gender equality in its own rules of operation.

Women are under-represented in most financial decision-making⁵. The inclusion of women within the decision-making bodies of finance may be considered part of a democratic entitlement, in that, those affected by the risk of financial decision-making are stakeholders who are entitled to be included in its governance. Financial decisions that potentially affect the system as a whole are not appropriately confined to financiers. Women are one of the groups currently excluded from financial decision-making that are adversely affected by the risks. So there is a democratic argument for their inclusion.

There are further reasons for including women in financial decision-making. Women may have different priorities and practices in financial decision making, which may be advantageous to the social system as a whole as well as to women. One of these is their approach to risk taking (is there excessive risk-taking in financial decisions in a gendered culture, in which women are largely absent?). Others include their preferences for public service provision of education and health, which support not only gender equality but also long term development of human capital. Further, the inclusion of women may prevent the development of the 'herd' mentality, such as was found among financial decision-makers in the run up to the crisis by enforcing diversity. That to include women might mean including those who are not the most technically expert, is not necessarily a problem, as Stiglitz notes: 'if those who are supposed to regulate the financial markets approach the problem from financial markets' perspectives, they will not provide an adequate check and balance.' The inclusion of gender concerns within financial decision making

⁵ Staveren, Irene van (2002) 'Global finance and gender' in Albrecht Schnabel and Jan Aart Scholte (eds) *Civil Society and Global Finance*. Pp. 228-246. London: Routledge.

may alter strategic priorities in a way that benefits not only women and associated vulnerable groups, but the system as a whole.

The proposals for financial market reform neglect the gender dimension of the financial architecture and the commitments of the European Union to prevent gender discrimination and promote gender equality. The proposals could have included gender targets or quotas for the membership of the new committees for financial governance, as well as EU commitments to promote gender equality in their objectives. There are precedents for such practices in neighbouring countries, such as the 40% quota on the inclusion of women in the Boards of Directors of companies in Norway.

Currently it appears as if EU gender commitments might have been side-lined in the development of the EU response to the financial and economic crisis. Gender equality is both an important goal in its own right and a significant contributor to other goals including a more efficient economy, economic growth, human development, democracy and human rights. The value and objective of gender equality is a legally binding commitment in EU Treaties and Directives.

Recommendation

The new European System of Financial Supervision proposed by de Larosière (Recommendation 18) and the European Commission (CEC 2009) should include quotas to ensure appropriate gender composition of bodies governing finance as well as the inclusion of the promotion of gender equality within their principles for action.