The Impact of Employment of Women on ESG Scores

Ms. Kanthi Viswanath, Assistant Professor, Vivekanand Education Societies College of Arts, Science & Commerce,
Dr. Nirmala Joshi, Research Head, MET Institute of Management, Mumbai

ABSTRACT

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Women are an important aspect of the society and corporates. As per the ESG guidelines disclosures have to be made for Environmental, Social and Governance aspect. ESG scores reflect the quality of these disclosure. Diversity and Inclusion form an essential aspect of such reporting whereby the representation of women employees in corporates is reflected.

Representation of women must be a deliberate effort by the corporates not only it is essential for well-being of the society but because it improves ESG scores and attracts investors and in the long run the value of the organisation.

Objective: The objective of this research is to find out women's representation in corporate.
To study prevailing employment practices of corporate especially with respect to women
To study the impact of women employees on corporate sustainability, performance and value

Keywords: Women Employees, BRR, ESG, ESG scores, Diversity and Inclusion.

Introduction:

A study by the International Finance Corporation reveals that private-sector players are increasingly partnering in international initiatives that identify best practices and practical approaches that companies can implement to improve women's inclusion in governance and the economy—not only because it is the right thing to do but also makes business sense (Gender Equality, Infrastructure and PPPs A PRIMER 2 Gender Equality, Infrastructure and PPPs, 2019). According to a World Bank Group report, increasing local women's engagement in projects can lead to increased firm productivity and help private companies innovate, grow, and perform better(WORLD BANK GROUP Gender Equality, Poverty Reduction, and Inclusive Growth, n.d.). According to McKinsey, companies that have more gender diversity are 21% more likely to experience above-average profitability (Hunt et al., 2018). Hiring women is good because the companies have access to a pool of talent who will herald innovation and productivity, who have multi-tasking abilities, have superior people and soft skills, are empathetic and hence less likely to be in conflict.

ESG which stands for Environment, Social and Governance forms an important factor of sustainability reporting. ESG reporting is compulsory in India in the form of Business Responsibility Reporting (BRR). According to the findings of the CRISIL ESG compendium, investors take ESG reporting as an important risk management tool and study it in detail before making their investment decisions. Under BRR Principle 3 stands for reporting on how businesses should promote the wellbeing of all employees which records the total number of employees and the total number of women employees. It is important that the companies should realise that having more women employees onboard is not for a matter of tick in the box or a Business Responsibility Reporting practice, but is important for the growth, value and competitive advantage of the company.

CRISIL has come up with ESG score which finds out the track record, trends and disclosures by companies to provide a relative, assessment on all material ESG parameters relevant in the Indian context based on information available in public domain wherein the score is assigned on a scale of 1-100, with 100 denoting the best-in-class ESG performance in which the evaluation analyses three annual reporting cycles through fiscal 2020.

So, having more women employees is important to corporate sustainability practices, overall performance and long-term value of the company as is reflected in the ESG score of the company

Literature review

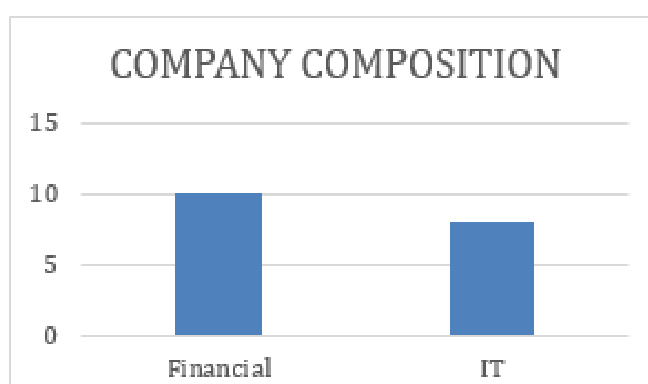
According to WBCSD Sustainable Development Reporting can help the companies by evaluation of corporate performance in environmental, social and economic terms (Heemskerk et al., n.d.). There is evidence of a willingness to engage and communicate clearly the results of sustainability strategies to interested stakeholders and overall, there appears to be a developing acceptance amongst large corporations that efforts towards improved corporate sustainability are not only expected but are of value to the business (Klettner et al., 2014). Sustainability Development Reporting can also be called as ESG reporting ie., Environmental, Social and Governance Reporting. The Ministry of Corporate Affairs released the National Voluntary Guidelines on Social, Environmental and Economic Responsibility of Business (NVG-SEE) in July, 2011 which includes nine core principles thus making ESG reporting compulsory in India. As per Census 2011, India's population was 121.06 Cr and the females constituted 48.5% of it. In 2011, the sex ratio (number of females per 1000 males) at all India level was 943 and the same for rural and urban areas are 949 and 929 respectively (Vikaspedia-Status of women in India). However, the fifth edition of the National Family Health Survey (NFHS) confirmed signs of a demographic shift in India. For the first time since the NFHS began in 1992, the proportion of women exceeded men: there were 1,020 women for 1,000 men(Ministry of Health and Family Welfare India Fact Sheet, n.d.). Sustainable Development Goals 5 of the United Nations Agenda 2030 that is devoted to "Achieve gender equality and empower all women and girls". The World Economic Forum states that gender equality is not just the concern of half of the world's population; it is a human right, a concern for us all, because no society can develop – economically, politically, or socially – when half of its population is marginalized.Recent research by Bloomberg Economics estimates that "if women's education and employment levels were the same as men, the global GDP would increase by $20 trillion in 2050". It also states that "70-80 % of the consumer purchases are made by women". Very few women are in boards of directors despite the views of diversity and inclusiveness supported in the professional and academic literature and since women out-number men, population-wise diversity in business is important as after all, it serves the clients and the customers who are part of business (Pareek et al., 2021). From the empirical evidence the authors found association between increasing the female employees ration and reduction in tax avoidance, they found that by increasing the ratio of female employees a company can improve its sustainability in terms of tax avoidance by forming a risk-averse and conservative corporate environment (Rhee et al., 2020). Research has established that the relationship between Managers' individual dynamic capabilities (IDC) with the social commitment of the manager is greater when the company's leader is a woman (Buil-Fabregà et al., 2017). According to the authors the presence of women in top positions and the implementation of sustainable activities improve both the financial performance and value of the company (Bannò et al., 2021).

Methodology:

The secondary sample for the study is of the companies listed in NSE for the year 2017-18, 2018-19, 2019-2020 and CRISIL ESG compendium for the average of the three years. The basis of the study is secondary data from Annual reports, Sustainability Reports, ESG reports, Business Responsibility Reports, IFC Primer, World Bank Report etc. Eighteen Companies from IT and financial sectors have been chosen as sample representatives.

Theoretical construct:

Though it is obvious that ESG and its reporting is growingly important to corporations there is very little information on integrated, uniform, comparable and explicit data about ESG especially on how the companies are performing on that account. One such initiative by CRISIL due to their access to databases has been available on the public domain. This paper takes Eighteen Companies from the IT and financial sectors and studies the representation of women employees among total employees of the companies.



Annexure

TABLE 1: Composition of Companies

S#	Company Name	Sector
1	Infosys Ltd	IT
2	Mindtree Ltd	IT
3	Tata Consultancy Services	IT
4	Wipro Ltd	IT
5	Kotak Mahindra Bank Ltd	Financial
6	HDFC Ltd	Financial
7	Axis Bank Ltd	Financial
8	Larsen & Toubro Infotech	IT
9	ICICI Bank Ltd	Financial
10	State Bank of India	Financial
11	HCL Technologies Ltd	IT
12	Bajaj Finserv Ltd	Financial
13	RBL Bank Ltd	Financial
14	Aditya Birla Capital Ltd	Financial
15	Muthoot Finance Ltd	Financial
16	Coforge Ltd	IT
17	Yes Bank Ltd.	Financial
18	L & T Technology Services Ltd	IT

As can be seen from the Table 1 Eighteen companies have been taken for study comprising mainly of IT and Financial sector.

TABLE 2: ESG Scores of Companies

S#	Company Name	Sector	E-score	S-score	G-score	ESG-score
1	Infosys Ltd	IT	86	68	81	79
2	Mindtree Ltd	IT	84	69	76	77
3	Tata Consultancy Services	IT	68	70	83	75
4	Wipro Ltd	IT	75	65	80	75
5	Kotak Mahindra Bank Ltd	Financial	74	63	81	74
6	HDFC Ltd	Financial	65	67	81	72
7	Axis Bank Ltd	Financial	68	66	77	71
8	Larsen & Toubro Infotech	IT	70	66	76	71
9	ICICI Bank Ltd	Financial	62	69	78	70
10	State Bank of India	Financial	63	72	73	69
11	HCL Technologies Ltd	IT	55	63	80	67
12	Bajaj Finserv Ltd	Financial	63	59	70	65
13	RBL Bank Ltd	Financial	65	60	67	65
14	Aditya Birla Capital Ltd	Financial	66	57	62	63
15	Muthoot Finance Ltd	Financial	63	58	67	63
16	Coforge Ltd	IT	41	63	79	62
17	Yes Bank Ltd.	Financial	62	63	58	61
18	L & T Technology Services Ltd	IT	41	61	76	60

Table 2 details individual scores of Environment, Social and Governance score of the companies.

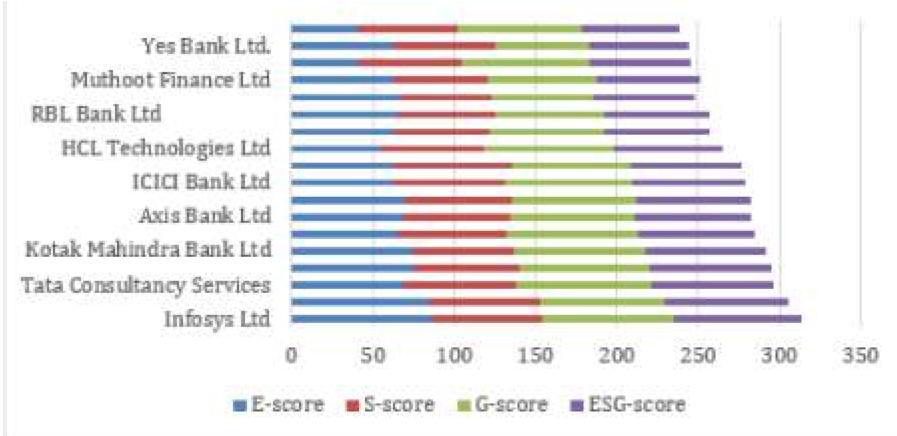


TABLE 3 - Data on Women Employees

Sr. No.	Company Name	Total employees	Total women employees		Total employees	Total women employees		Total employees	Total women employees	
		2018		%	2019		%	2020		%
1	Infosys Ltd	204107	73717	36	228123	83671	37	242371	91679	38
2	Mindtree Ltd	17723	5187	29	20204	6272	31	21991	7124	32
3	Tata Consultancy Services	394,998	139,487	35	424,285	152,114	36	448,464	162,220	36
4	Wipro Ltd	163827	57339	35	175690	61843	35	188270	65895	35
5	Kotak Mahindra Bank Ltd	35717	7488	21	41953	9649	23	50034	10292	21
6	HDFC Ltd	2575	640	25	2840	724	25	3095	791	26
7	Axis Bank Ltd	59614	13424	23	61940	14419	23	74140	17052	23
8	Larsen & Toubro Infotech	24139	6877	28	28168	8154	29	31437	8154	26
9	ICICI Bank Ltd	82,724	23,153	28	86,763	25,079	29	99,319	30,590	31
10	State Bank of India	263538	62582	24	256756	62578	24	249448	63062	25
11	HCL Technologies Ltd	120081	28819	24	137965	34353	25	150423	40313	27
12	Bajaj Finserve Ltd	25	3	12	50	9	18	83	24	29
13	RBL Bank Ltd Financial	5300	1058	20	5843	1365	23	7221	1760	24
14	Aditya Birla Capital Ltd	35	8	23	32	8	25	29	6	21
15	Muthoot Finance Ltd	23455	6692	29	24224	4219	17	25554	5744	22
16	Coforge Ltd	8343	1977	24	9207	2526	27	10074	2677	27
17	Yes Bank Ltd.	18,238	3,294	18	21,136	3,861	18	22,973	4,256	19
18	L & T Technology Services Ltd	12307	2439	20	14855	2867	19	17176	3273	19

Table 3 reflects the number of women employed as compared to the total number of employees. As can be seen from the data there is low representation of women employees as compared to the total number of employees in the organisations.

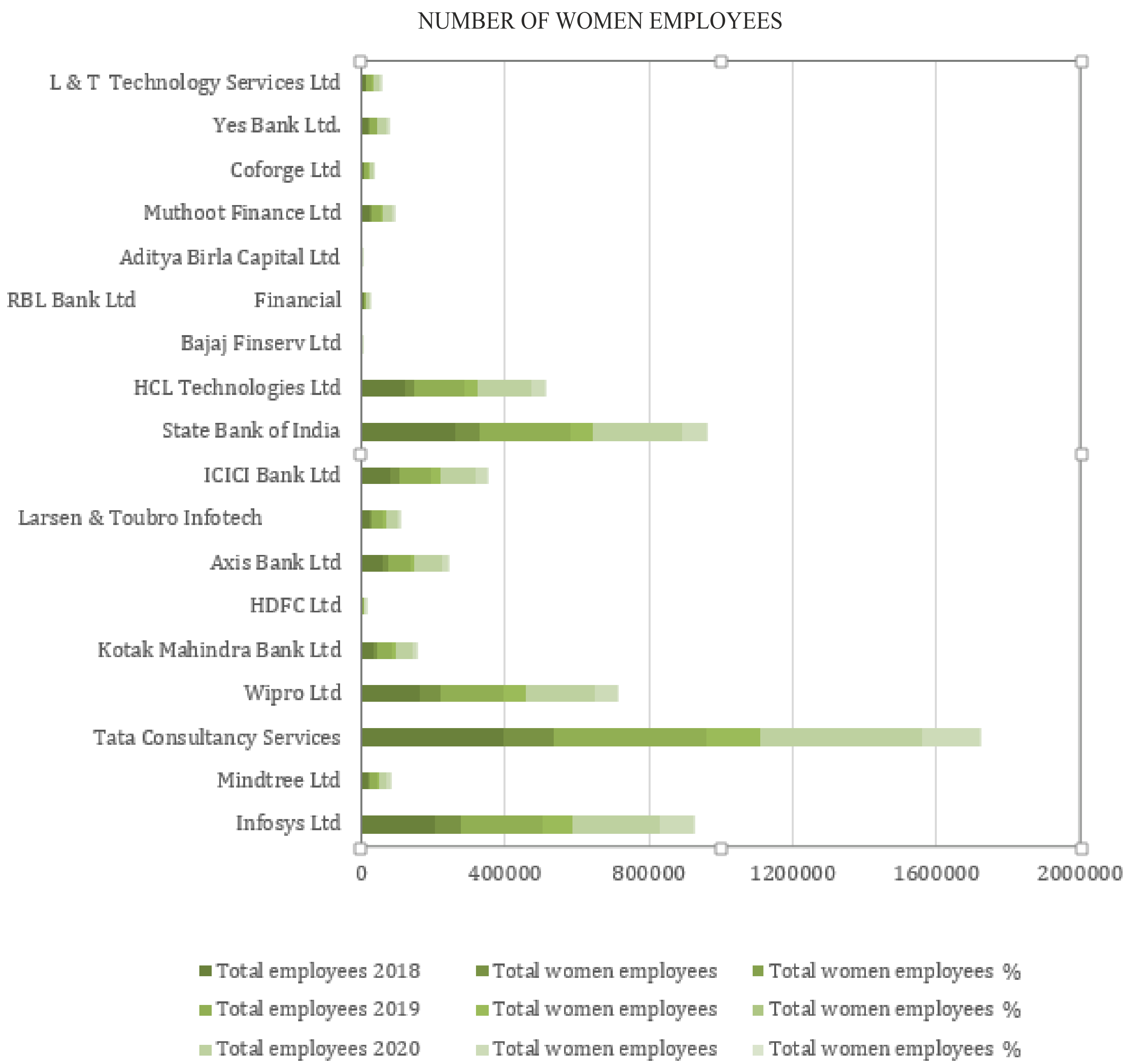
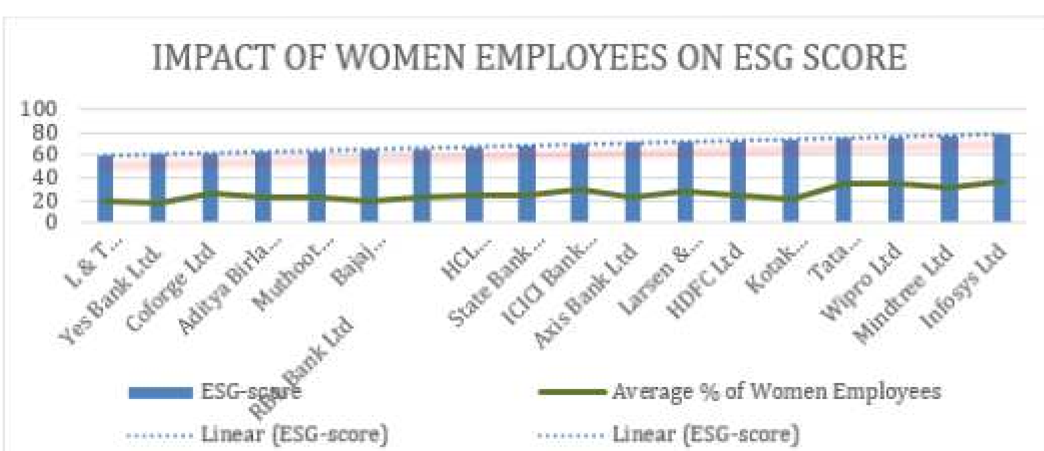


TABLE 4

SR. NO.	Company Name	Sector	ESG-score	Average % of Women Employees
1	L & T Technology Services Ltd	IT	60	19
2	Yes Bank Ltd.	Financial	61	18
3	Coforge Ltd	IT	62	26
4	Aditya Birla Capital Ltd	Financial	63	23
5	Muthoot Finance Ltd	Financial	63	23
6	Bajaj Finserv Ltd	Financial	65	20
7	RBL Bank Ltd	Financial	65	22
8	HCL Technologies Ltd	IT	67	25
9	State Bank of India	Financial	69	24
10	ICICI Bank Ltd	Financial	70	29
11	Axis Bank Ltd	Financial	71	23
12	Larsen & Toubro Infotech	IT	71	28
13	HDFC Ltd	Financial	72	25
14	Kotak Mahindra Bank Ltd	Financial	74	22
15	Tata Consultancy Services	IT	75	36
16	Wipro Ltd	IT	75	35
17	Mindtree Ltd	IT	77	31
18	Infosys Ltd	IT	79	37



As can be seen in Table 4 higher the percentage of women in the organisation, higher is the ESG score. ESG information might be valued by investors because of its ability to give information on risks that are not traditional and is helpful in evaluating and comparing the "quality" of management in portfolio companies but most importantly there is a growing movement to integrate ESG into mainstream investing, with Millennials—and particularly Millennial women—showing especially strong support (Ailman et al., 2017).

Having understood the impact women on the value of corporates some of the ways their representation can be increased are as follows:

1. **More representation of women at top level:**

Corporates have to take steps to break the glass ceiling and encourage more opportunities for women in the managerial especially in the board of the company.

2. **Increasing percentage of women being employed:**

Conscious efforts must be taken to ensure hiring of women. The hiring must be based on merit and should not be influenced by preconceived notions and prejudices against women.

3. **Mentor/sponsorship program:**

Members of senior management should act as mentors and adopt individual women employees to groom and train them for career growth. Sponsorship program must be encouraged to motivate women employees to take up bigger challenges.

4. **Training and development/Employee awareness programs:**

Continuous training and development programs should be arranged specifically for women employees to ensure their updating of latest knowledge and upskilling. Steps should be taken to increase employee awareness on various issues like POSH (Prevention of Sexual Harassment)

5. **Flexible working hours:**

Flexible work arrangements should be made for women employees without them losing on the benefits and privileges of full-time work

6. **Remote working arrangement:**

Covid 19 has not only proved that that remote work is possible but has thrown up a lot of opportunities for the same and so it should be continued for women employees wherever possible.

7. **Onsite/nearsite child care support:**

One of the main reasons for women employees leaving the workforce is lack of childcare support especially when their children are young. So wherever possible onsite child care support or tie up with nearsite child care support should be provided in the form or nursery/daycare facilities

8. **Second career programs:**

Corporates can hire women with previous corporate experience who had to take a career break due to some compulsions. They can encourage and incorporate them by re-skilling and counseling them.

9. **Maternity/Paid sabbaticals:**

One of the main reasons for women leaving the workforce is due to birth of a child or taking care of sick parent. Paid sabbaticals during such time will help to retain women employees.

Results:

The study reveals that there is no uniformity in reporting about such an important component of the labour workforce. Some companies have a very transparent disclosure of the details of women employed while some companies have given minimum details as to only the number of women employees. There is very less representation of women in Corporate India

Contribution:

The contribution to knowledge in this paper is that though women represent half of the population of our country their representation in corporate is very much lacking. Women are an important aspect of society and are influencers in buying products and services.
Uniformity in reporting practices will help us understand the impact of women employees on corporate sustainability and whether it varies. Though some papers talk about impact of women in board in sustainability there is no research on impact of women employees on sustainability in India.

Limitations of the study:

Only two sectors and eighteen companies have been taken here for study due to time constraints. The study can be extended to more companies and sectors.

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