

Organization Practice



Women in the economy: Selected exhibits

Addendum to special report, “Unlocking the full potential of women in the US economy”

April 2011

Sarah Arora
Anna Ayanova
Joanna Barsh
Susan Lund
Vikram Malhotra
James Manyika
Heather Sumner
Lareina Yee

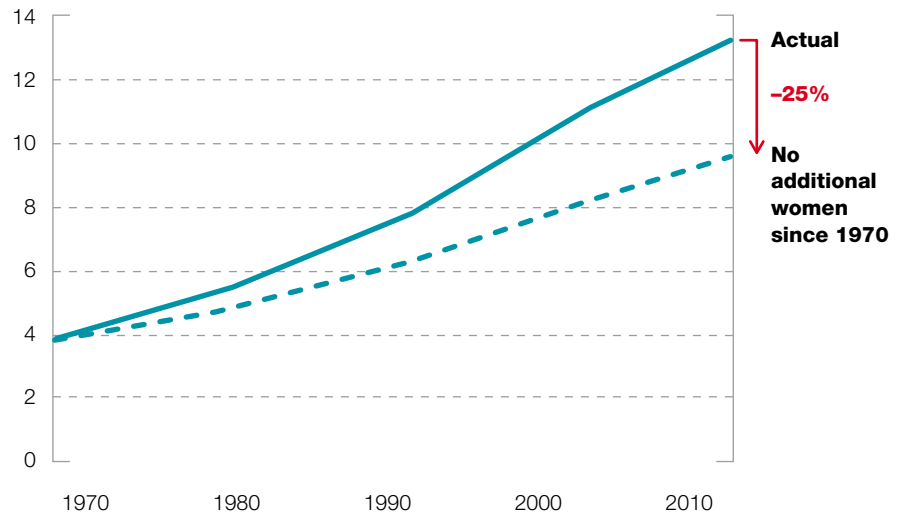
Women’s contribution to US economic growth since 1970 has been significant.

In 1970, 41 percent of women were working either full- or part-time, accounting for 38 percent of total workers in the US; today, 56 percent of women are working and women make up 47 percent of all workers in the US.

If no additional women had joined the paid economy since 1970, US GDP would be 75 percent of its current size.

Without women’s contribution, GDP today would be three-quarters of its current size

US real growth,¹ \$ trillion



¹In 2005 dollars, assuming total hours worked by women remained unchanged since 1970 and keeps gains from productivity constant.

Source: BLS; McKinsey analysis

The potential productivity contributions of women have not been fully realized.

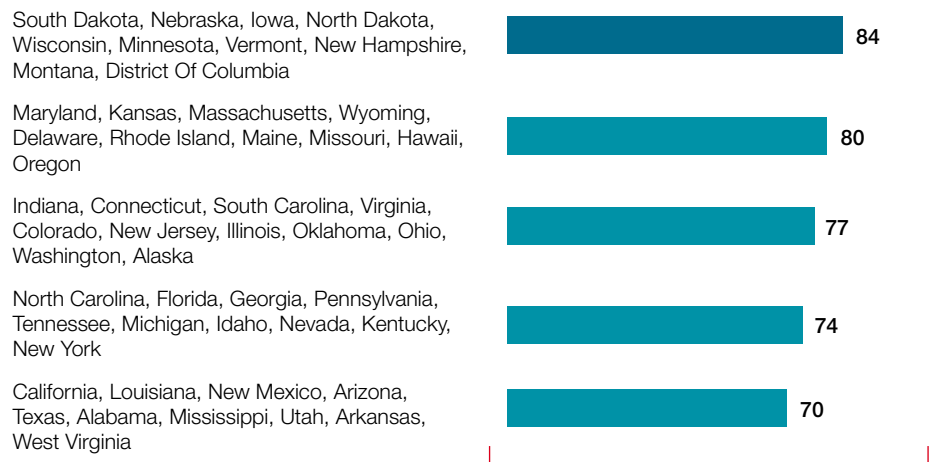
There is significant variability between state participation rates, so raising participation rates to the average of the top 10 states would add 5.1 million women workers, equivalent to a 3 to 4 percent increase in GDP.

Women make up 58 percent of college graduates today, but fill 53 percent of corporate only entry-level jobs.

In growing sectors like science/technology and financial services, women's share is 30 percent and 42 percent respectively.

Variability in labor participation rates by state reveal potential headroom in GDP growth¹

Average women participation rate by state quintile,² %



Raising participation rates to the top 10 states would add 5.1 million women workers, equivalent to a 3–4% boost in GDP³

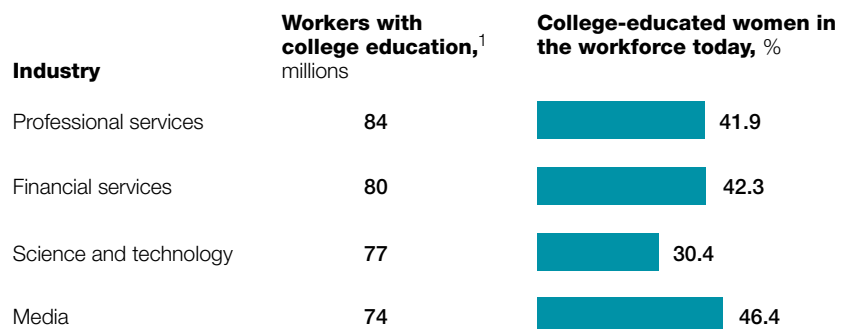
¹Participation rate in wage economy; calculated by increasing women participation rates for ages 25–54 as shown.

²Based on population aged 25–54 using 2009 data.

³Calculation of boost in GDP is based on using an average worker's pay, regardless of gender, and assumes GDP growth is proportional to growth in total hours worked.

Source: BLS; McKinsey analysis

There is headroom to increase the number of college-educated women in industries leading GDP growth and productivity



¹Based on 2009 civilian labor force aged 20–65.

Source: BLS; McKinsey analysis

Advancing women leaders in the corporate sector is critical to business.

In 2011, Catalyst, the US non-profit focused on opportunities for women in business, found a 26 percent difference in return on invested capital between top-quartile companies (with 19 to 44 percent women board representation) and bottom quartile companies (with zero women directors).

McKinsey research in Women Matter found that the top four leadership attributes executives value most for success today—intellectual stimulation, inspiration, participatory decision-making and setting expectations/rewards—are more commonly found among women leaders.

The same research found that companies with three or more women on executive committees or boards scored higher on nine metrics of organizational effectiveness than their peers. Further, companies with top quartile scores on this “health” index had superior financial performance.

Over the past decade the talent “pipeline” for women has not materially improved; fewer than 3 percent of Fortune 500 CEOs are women.

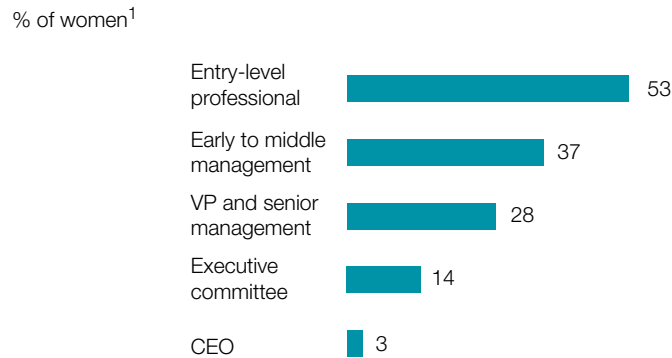
There is a sharp drop-off between the share of women in entry level positions and that in early to mid-management roles, where women make up 37 percent of workers.

Further, Catalyst has shown that only 26 percent of vice presidents and senior managers are women, and only 14 percent of executive committee members are women.

Men are approximately twice as likely to advance at each career transition stage.

Women’s odds of advancing from the executive committee to CEO are about 1 in 34 versus 1 in 9 for men; this is partly because almost twice as many women as men (60 percent versus 35 percent) choose staff roles.

The corporate pipeline disproportionately loses women at every level.



¹Based on research by Silvia Hewlett and Catalyst; all percentages except for entry-level professional are Fortune 500 company data; entry-level professional number is pulled from alternate data source that analyzed 5000+ companies rather than Fortune 500s.

Source: “Targeting Inequity: The Gender Gap in U.S. Corporate Leadership,” Catalyst; “2010 Catalyst Census – Fortune 500 women executive officers and top earners,” Catalyst; “The Sponsor Effect: Breaking Through the Last Glass Ceiling,” Sylvia Ann Hewlett, Center for Work-Life Policy; McKinsey analysis

The odds for making CEO from senior line roles favors men

Fortune 200 company corporate pipeline¹

		Number of executive committee ² members	Number of CEOs	CEO/Executive committee ratio, ³ %
All roles	Women	304	9	3%
	Men	1,680	192	12%
Line roles only ²	Women	116	9	8%
	Men	1,087	192	18%

¹Analysis examines all Executive Committee members excluding CEO and calculates the probability of advancement.

²Executive committee for this analysis is defined as executive officers listed in the 10-K filing of the companies. Assumes all roles associated with product/service development, production and distribution as well as CFO role are line roles, and all other are staff roles.

³Ratio of CEOs to Executive Committee members by gender, reflecting the gender distribution women see in organizations.

Source: Fortune 200; 10K reports; McKinsey analysis

Four types of barriers hold women back.

Structural issues: As many researchers have found, women face structural issues such as a lack of access to informal networks, opportunities for development and sponsorship.

Lifestyle issues: Many companies are introducing policies and practices to increase flexibility; however, a desire for work/life balance constrains many women (not just mothers) and men, as people react to today’s 24/7 “available anywhere anytime” work commitments.

Imbedded institutional mindsets: These include difficulty adjusting for flexible work arrangements, beliefs that promoting women is too “risky” or that women “should not” be put in certain roles, and the judgment of men on potential, but women on performance.

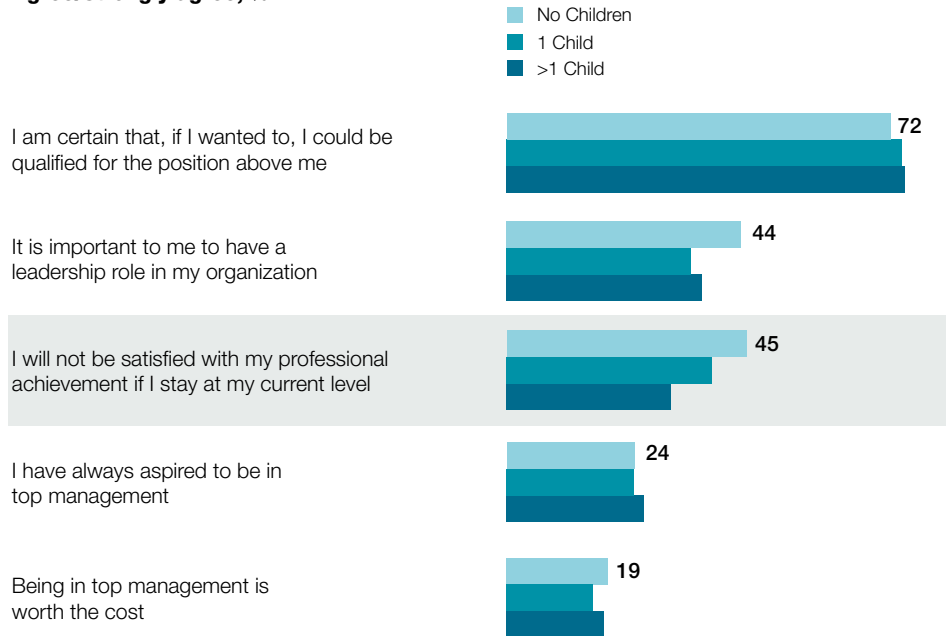
Imbedded individual mindsets: Though women have equivalent ambition to men, they are less satisfied than men with their jobs and professions, fewer believe that they have the qualifications for the next job, more strive for more control over results and many wrestle with fears that hold them back.

What holds women back

	Examples of barriers
Structural obstacles	<ul style="list-style-type: none"> Lack of access to informal networks Lack of senior female role models Lack of sponsors to provide opportunities
Lifestyle issues	<ul style="list-style-type: none"> Concern regarding 24/7 executive lifestyle and travel Desire for work-life balance emerging in both men and women
Imbedded institutional mindsets	<ul style="list-style-type: none"> Difficulty staying on track with flexible working arrangements Institutional beliefs that women “should not” be put in certain roles Institutional feeling that promoting a woman will be “too risky” Institutional promotion discussions that reward a man for potential, but a woman for performance
Imbedded individual mindsets	<ul style="list-style-type: none"> Less satisfaction with profession and job Less desire to advance to the next level Desire to have greater control over results Personal choices and/or reluctance to step up

Mothers retain their overall career ambition but settle in

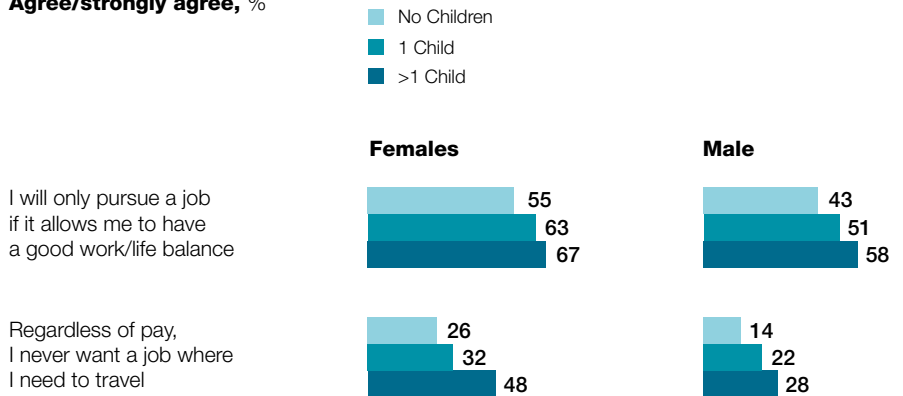
Agree/strongly agree, %



Source: McKinsey survey conducted February 2011; 1,000 female respondents and 525 male respondents currently working in large corporations or professional-services firms; McKinsey analysis

Many women—and men—choose work/life balance and reduced travel

Agree/strongly agree, %



Source: McKinsey survey conducted February 2011; 1,000 female respondents and 525 male respondents currently working in large corporations or professional-services firms; McKinsey analysis

A focus on developing and advancing middle-management women can have the biggest impact.

Women in middle management have demonstrated the capability to advance and have gained early managerial skills; companies have already invested in recruiting and training them.

More female middle managers aspire to leadership than female entry professionals (51 percent versus 32 percent).

More female middle managers aspire to top roles than female entry professionals (31 percent versus 16 percent).

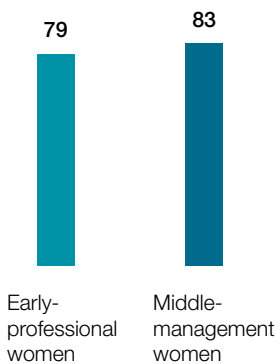
In middle management, both women and men leave their jobs for the same reasons: Compensation, opportunities for professional growth, and recognition within the organization—and most women planning to leave would seek similar opportunities within the field.

Companies that increase the number of middle management women they retain and advance will reshape their talent pipelines: more women will become senior management role models and more women will be candidates for executive committee positions.

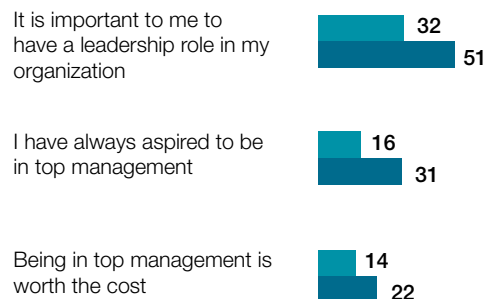
Middle-management women have what it takes

■ Entry-level women ■ Early-professional to middle-management women

Desire to move to the next level, % agree/strongly agree



Interest in executive-management roles, % likely/extremely likely



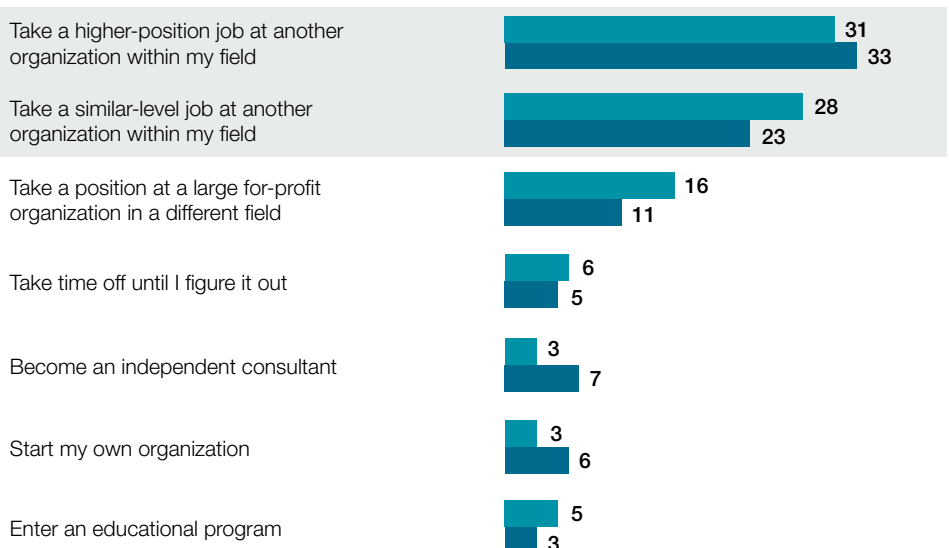
Source: McKinsey survey conducted February 2011; 1,000 female respondents and 525 male respondents currently working in large corporations or professional-services firms; McKinsey analysis

Women do not opt out—most leave for another job

What would you be most likely to do if you left your current organization?

n = 146, %

■ Women ■ Men



Source: McKinsey survey conducted February 2011; 1,000 female respondents and 525 male respondents currently working in large corporations or professional-services firms; McKinsey analysis

The challenge is systemic; the solution must transform imbedded mindsets.

Interviews confirm that scaling programs for change is an important issue; today's progress is made on a case-by-case basis for the most part.

We found that CEO mandates or diversity initiatives do not address the entrenched mindsets and behaviors that prevail deep in the organization.

Almost 70 percent of all transformations fail.

In our view, an integrated approach to transformational change can reverse these odds:

- 1.** A clear vision and compelling business case.
- 2.** Integration with—and refinement of—the core business management processes.
- 3.** Capability building (e.g., helping men and women become more effective sponsors).
- 4.** Leadership role-modeling not just at the top, but throughout the organization.

10 questions for your discussion on gender balance.

If yes, go to next question	Yes	No	If no, how to address
Is gender diversity important to our company?	<input type="radio"/>	<input type="radio"/>	Assess company's values to understand why not.
Do we have a compelling business case?	<input type="radio"/>	<input type="radio"/>	Create a business case based on the economics.
Should we make gender diversity a priority?	<input type="radio"/>	<input type="radio"/>	Consider where it fits among the full list of priorities.
Do we have past successes to build on?	<input type="radio"/>	<input type="radio"/>	Identify and spotlight success stories regularly.
Do we understand the barriers in the way and what should be done to remove them?	<input type="radio"/>	<input type="radio"/>	Hold focus groups and summits to identify them and find solutions.
Are we aligned on the degree of change needed?	<input type="radio"/>	<input type="radio"/>	Hold workshops to build awareness and conviction.
Is there a plan in place equal to the challenge?	<input type="radio"/>	<input type="radio"/>	Develop a multi-year change program.
Is management committed, not just at the top, but down the line, to achieve the plan?	<input type="radio"/>	<input type="radio"/>	Communicate broadly to engage everyone and enable a shift to the desired mindsets.
Have we embedded the change in how we manage the organization, in order to sustain it?	<input type="radio"/>	<input type="radio"/>	Integrate with direction setting, budgeting and performance dialogues.
Are metrics in place for accountability?	<input type="radio"/>	<input type="radio"/>	Create a scorecard tied to incentives.

Appendix

Basis for our perspectives

Context

Research undertaken in preparation for *The Wall Street Journal's* conference on "Women in the Economy."

McKinsey examined the contributions of women to the US economy, the condition of the corporate pipeline with respect to gender, and the reasons women are not advancing in today's corporate workplace.

Sources

Economic analysis in conjunction with the McKinsey Global Institute on participation rates, trends, and implications on US productivity and growth.

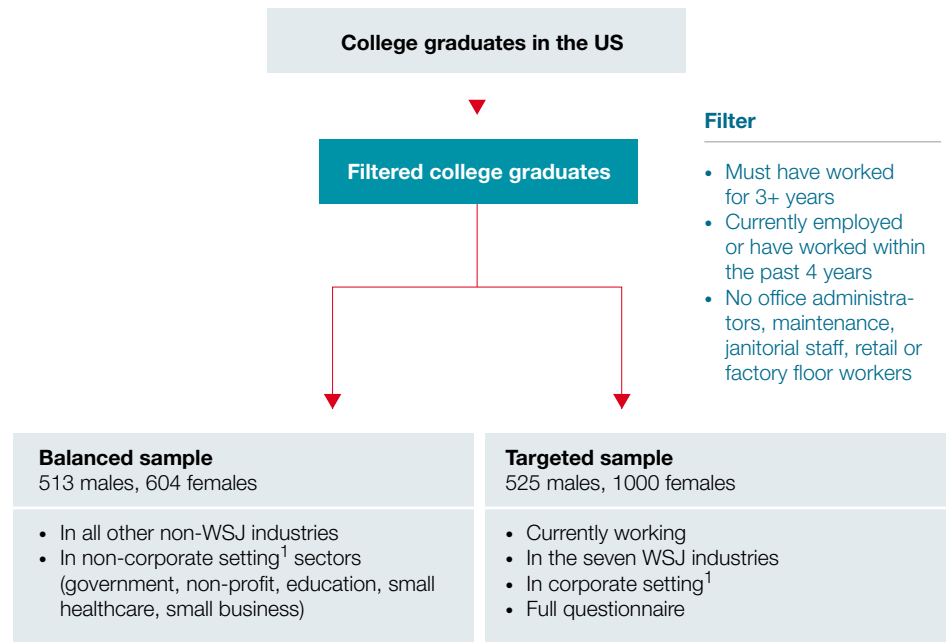
Survey of 2,525 college educated men and women to understand barriers to advancement in the corporate pipeline.

Over 30 interviews with CDOs of Fortune 500 companies and industry academics.

Literature review of over 100 documents from leading academics and think tanks.

Analysis of the Fortune 200 top organization tiers, looking specifically at number of women and their respective roles.

Survey methodology



¹Corporate setting defined as a corporation or professional-services firm with greater than 1,000 employees
Source: McKinsey survey conducted February 2011; McKinsey analysis

Further reading

Economics

- “Gender Inequality, Growth and Global Ageing,” Daly, Goldman Sachs, 2007
- “The Quiet Revolution that Transformed Women’s Employment, Education and Family,” Claudia Goldin, Ely Lecture, in *AEA Papers and Proceedings* 96 (2): 2006

Business case

- “Women in the Boardroom and their Impact on Governance and Performance,” Adams and Ferriera 2008
- “Women in the Executive Suite Correlate to High Profit,” Adler, Pepperdine University for the European Project on Equal Pay, 2001
- “Corporate Governance, Board Diversity, and Firm Value,” *Financial Review*, Carter *et al.* 2003
- “The Bottom Line: Connecting Corporate Performance and Gender Diversity,” Catalyst 2004
- Women Matter 2*, Desvaux and Devillard, McKinsey & Company, 2008
- “Leveling the Playing Field: Upgrading the Wealth Management Experience for Women,” Damisch *et al.*, Boston Consulting Group, 2010
- “Girl Power’: Female Participation in Top Management and Firm Performance,” Dezsö and Ross, 2008
- “Women at the Top of Corporations: Making It Happen,” McKinsey 2010
- The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies*, Page, 2008
- Women Want More: How to Capture Your Share of the World’s Largest, Fastest-Growing Market*, Silverstein *et al.*, 2009

Attitudes and behaviors

- The Female Vision*, Helgesen *et al.*, 2010
- “The Sponsor Effect: Breaking Through the Last Glass Ceiling,” Hewlett *et al.*, The Center for Work Life Policy, 2011
- “Executive Women and the Myth of Having it All,” Hewlett, *Harvard Business Review*, 2002
- “Why Men Still Get More Promotions than Women,” Ibarra *et al.*, *Harvard Business Review*, 2010
- “Impossible Selves: Image Strategies and Identity Threat in Professional Women’s Career Transitions,” Ibarra & Petriglieri INSEAD Working Paper #2007/69/OB
- “Some Effects of Proportions on Group Life: Skewed Sex Ratios and Responses to Token Women,” Kanter, *American Journal of Sociology*, 1977
- “The Reflexive Generation: Young Professionals’ Perspectives on Work, Career and Gender,” Kelan *et al.*, London Business School, 2009
- “The Ambition Divide: Differences Define Women’s Career Aspirations,” Margaret Noonan, Hudson Thought Leadership Series v. 4 i. 1
- Why Women Mean Business*, Wittenberg-Cox and Maitland, 2008
- How Women Mean Business*, Wittenberg-Cox, 2010

Corporate pipeline

- “Dynamics of the Gender Gap for Young Professionals in the Financial and Corporate Sectors,” Bertrand *et al.*, *American Economic Journal: App Econ* 2, 2010
- “Pipeline’s Broken Promise,” Catalyst, 2010
- “Transitions: Careers and Life Cycles of the Educational Elite,” Goldin and Katz, *American Economic Review: Papers and Proceedings* 98:2, 2008
- “Targeting Inequity: The Gender Gap in U.S. Corporate Leadership,” Testimony to the U.S. Joint Economic Committee by Ilene H. Lang, September 28, 2010

Industry-specific findings

- “The White House Project: Benchmarking Women’s Leadership,” Lapovsky *et al.*, November 2009
- “Why so Few? Women in Science, Technology, Engineering, and Mathematics,” Hill *et al.*, AAUW, February 2010
- “Do Babies Matter? Closing the Baby Gap,” Mason *et al.*, February 16, 2007, presentation at Harvard University based on results of UC Doctoral Student Career and Life Survey
- “Why Do Women Leave Science and Engineering?” Hunt, Vox EU, Centre for Economic Policy Research, May 2010

Synthesis

- “The Gender Dividend: Making the Case for Investing in Women,” Pelligrino *et al.*, Deloitte 2011
- “Invest in Women, Invest in America: a Comprehensive Review of Women in the U.S. Economy,” Joint Economic Committee of the United States Congress, 2010
- “Women in America: Indicators of Social and Economic Well-Being”, U.S. Department of Commerce *et al.* 2011
- “The Shriver Report: A Woman’s Nation Changes Everything,” Maria Shriver, 2009
- “Groundbreakers: Using the Strength of Women to Rebuild the World Economy,” Ernst and Young, 2009