CHAPTER 1

Womenomics and the Measures That Matter

> "All economies have savings and productivity gains if women have access to the job market. It's not just a moral, philosophical or equal-opportunity matter. It's also an economic cause. It just makes economic sense."[1]
>
> —Christine Lagarde, Managing Director, The International Monetary Fund

Say the word *womenomics* to a crowded room of investors and the typical reactions include snarky bemusement to utter bewilderment. Rolling of eyes and tilting of heads toward the ceiling—you bet. There are invariably some mumblings of "women-what?" since a majority of investors (men and women) have neither heard of the term nor ever contemplated women as an economic cohort with significant financial or commercial relevance.

They're not alone. Although the debate over gender equality has raged for decades in the United States, women and their potential contribution to economic growth remains a novel concept. Even the practitioners of the Dismal Science have yet to fully grasp the economic importance of women. Open up any standard economic textbook and you will see a chapter on fiscal and monetary policies, trade, foreign exchange, investment, and other traditional metrics of economic growth. Good luck, however, finding that chapter on gender—it's not there because sex-disaggregated data and gender-driven growth remain outside the economic mainstream, notwithstanding the accumulating evidence that the greater the participation of women in the formal economy, the greater the upside potential for real growth.

Quantifying womenomics is no easy task since statistics on all aspects of the subject remain relatively sparse and incomplete. Analyzing significant gender dynamics is not just about economics: Various political, social, and cultural dimensions come into play as well. The quest for more and better data is a crucial one. Evidence from research and experience from practice are both necessary tools to build this field. To that end, within this chapter we provide a brief overview on ten measurable developments that explain and portray the rising economic influence of women. These measures—while not all encompassing—offer a starting place, and will be referred to and analyzed in greater detail throughout the book. As a footnote, when we refer to the "formal" economy, we are talking about participation in the "paid" economy, an important distinction for women since a great deal of female economic participation is unpaid work versus paid.

Starting with the basics and the first of the metrics, the **female labor force participation rate** is one of the most fundamental metrics of womenomics, but perhaps one of the most important as well. The greater the number of women participating in the formal economy with paid jobs, the greater the opportunity and upside for economic growth. When more women enter the workforce, the nation's productive capacity increases, boosting the potential for more output, income and spending, as well as investment and trade. To this point, and discussed further in Chapter 2, America's expanding middle class and economic prosperity over most of the postwar era was due in large part to the steady increase in working women in the United States economy. And around the world, notably in China for instance, one of the most important macroeconomic trends is the inclusion of women into the formal economy and the attendant boost in growth. But much work needs to be done since the playing field in both developed and developing nations remains tilted against women at a significant cost to both women and their economies. As the McKinsey Global Institute notes, if women's participation rates were the same as men around the world, it would add up to $28 trillion, or 26 percent, to annual global GDP by 2025.[2]

The **rising educational levels of women** is another major change of the past few decades, and a trend just as prevalent in the developed nations as developing countries. Data and studies show that in many parts of the world girls now outperform boys academically, and more women are getting college degrees than men. Women are more actively involved in the formal economy today because they are better educated, skilled, and qualified for virtually any job in any sector. Among women ages 25 and over in the United States, the percentage of women with a college degree nearly tripled from 1970 to 2015. In 2014, the number of female graduates with bachelor's degrees was nearly 10 percent higher than males.[3] Meanwhile, the same trends are unfolding around the world—in Europe, the Middle East, and Asia in particular, where women at all levels of higher education are excelling and participating in education at a higher level than men.

Next, due in part to the rising educational levels of women, the **incomes, purchasing power, and investable wealth of women** have climbed steadily over the past few decades, giving women more independence and decision-making power. In our opinion, the power of the purchase represents one of the most powerful and promising metrics of womenomics. Expanding on the groundbreaking data and analysis of Michael Silverstein and Kate Sayre, we estimate the global purchasing power of women totaled roughly $15 trillion in 2015. That is a figure some 40 percent larger than the Chinese economy, and larger than every other economy in the world except the United States (see Figure 1.1).[4] Think about that—in a world struggling to grow, women could be a potential new growth engine. Meanwhile, globally, women control upward of $20 trillion in wealth—a staggering sum of capital that speaks to the financial influence of women. In the United States alone, women control just over half of the nation's personal wealth or investable assets, or $14 trillion. By 2020, this nest-egg is expected to total $22 trillion as women earn and save more, and become recipients of a massive transfer of wealth from their spouses.[5]

Despite the rise in the educational attainment of women, **the gender earnings gap**—another key metric—between male and female workers remains a key sticking point and barrier to gender-led growth. Women working full time in the United States, for instance, earned 79 percent of what men did in 2014, according to the 2014 Census Bureau comparison of the median earnings of full-time, year-round workers. African-American women in the United States earn just 63 cents and Hispanic women 56 cents to males.[6] And what is true in the United States is true around the world—where, on average, women earn 16 percent less than men.

Women are not only paid less than men, they do much more **unpaid work** than men. This metric certainly matters because

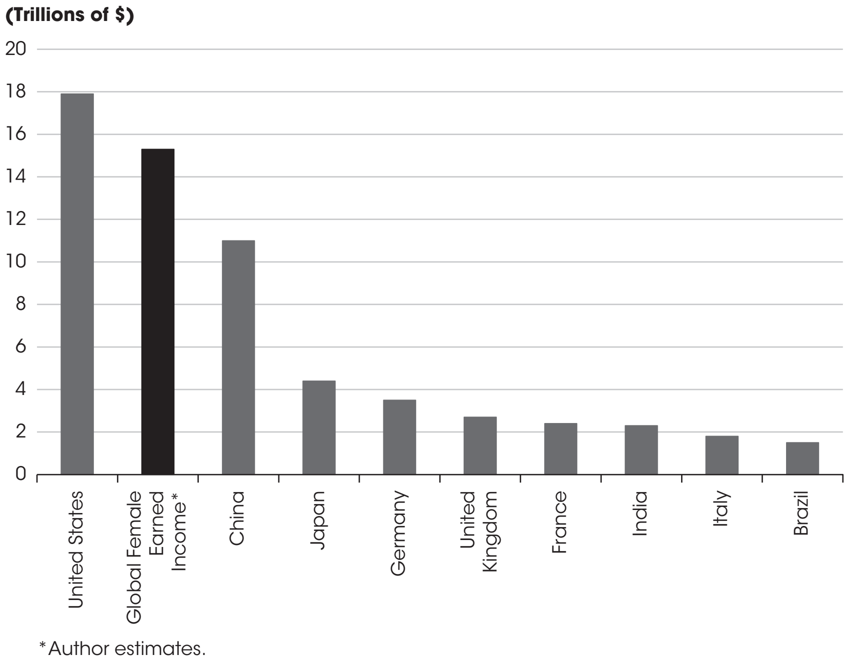

Figure 1.1 Women vs. the world's largest economies: Global female earned income, 2015.
Sources: BCG; IMF. Data as of July 2016.

the OECD defines unpaid work as both "an important aspect of economic activity and an indispensable factor contributing to the well-being of individuals, their families and societies." This includes cooking, fetching water, house cleaning, getting kids to and from school, grocery shopping, and caring for children, elderly relatives, and family members who are sick.

In 2016, Melinda Gates ignited a frenzy of news and social media by declaring "time-poverty" to be a universal gender problem. In her half of the annual Gates Foundation letter, she said, "I'm sorry to say… Unless things change, girls today will spend hundreds of thousands more hours than boys doing unpaid work simply because society assumes it's their responsibility."[7] Thanks to the uneven and unequal distribution of responsibilities at home, women and girls spend two to ten times more time and effort on unpaid care work than men. On a global basis, women spend an average of 4.5 hours per day doing unpaid work; men spend less than half as much time.

Quantifying this dynamic, the OECD estimates that unpaid "care" work equates to a staggering $10 trillion annually in lost output.[8] That is another equivalent to the size of China's economy.

Non-traditional Measures of Womenomics

All the womenomics data just cited are traditional—and essential—for measuring economic growth. But there are other, emerging metrics that underscore the underlying economic potential of women. Widening the lens, women are more than just workers, consumers, and caretakers—they are also entrepreneurs, engineers, senior executives, scientists and public servants. And their numbers are growing. Even if the playing field is not level yet, women are a force in determining the fate of countries in the global economy.

The **number of women entrepreneurs** is a key metric since women are just as much creators of businesses as men. Even with the challenges of access to capital, the 2014 Global Entrepreneurship Monitor (GEM) found 200 million women starting or running businesses all over the world, and 128 million operating established (in place over three and a half years) businesses.[9] That is 328 million women impacting the global economy—and this survey counts only 83 of the 189 countries recognized by the World Bank. These entrepreneurs span the spectrum of industry, and include hair salon owners, high-tech visionaries, and everything in between, all making critical economic contributions.

Women started nearly 40 percent of the new firms in the United States in 2014. Meanwhile, a Barclays Bank psychological study of 2000 entrepreneurs and employees in the United States, United Kingdom, Germany, and Singapore consider the questions of what an entrepreneur is—and how this changes by industry, geography, age, and gender. By gender, across regions and industries, 47 percent of women entrepreneurs said they were "extremely interested in starting a new business within the next three years" versus 18 percent of men.[10]

Evidence continues to mount that **corporate gender diversity** helps drive superior corporate results, and is therefore included in our ten measurable developments that matter. By *diversity,* we are not just talking about the number of women on corporate boards. We are referring to the spectrum of women's representation in a firm and the entire pipeline of women, of all races and ethnic groups, which it drives. More women on boards is great, but looking to this metric alone does not suffice for positive impact on women or on bottom lines. Firms that effectively deploy women across disciplines and functions within the firm, creating a diverse and dynamic gender pipeline, have produced better performance.

Bolstering this point, a 2015 Peterson Institute analysis of gender diversity in management and profitability—based on a global survey of close to 22,000 public companies in 91 countries—showed a repeated and significant "correlation between women at the C-suite level and firm profitability."[11] A profitable firm with 30 percent women in leadership positions could add more than 6 percentage points to its net margin compared with similar firms with no female leaders, according to the report. While this is correlation and not causation, the report indicates that gender diversity could have a positive impact on profit.

Despite the evidence, however, much work needs to be done. Although management pipelines vary considerably by industry, region, and company, the higher in the hierarchy one goes the smaller the number of women in line to fill leadership roles. At the top, the number of women named as CEOs declined sharply in 2015. Indeed, according to a survey conducted by Strategy&, only one of the 87 new CEOs named to lead a publicly traded firm in the United States and Canada in 2015 was a woman. Globally, women made up only 10 out of 359 of the newly appointed CEOs.[12]

Another measurable development that matters: **paid family leave** and **work–life balance programs** for employees who are of childbearing age. Rarely do investors think of this metric as pertinent to the health of a nation or a company, but at a time when many nations, including the United States, are experiencing rapidly aging populations, shrinking labor forces, and a drop-off in both male and female labor force participation rates, it's even more imperative to keep working moms (and dads) formally engaged in the economy through top-notch public child-care facilities, suitable family leave benefits, and pre- and after-school programs. Family leave and other employee support programs, in other words, are significant factors influencing the women's labor force participation rate. And it's worth emphasizing again, the higher the rate of female participation in the economy, the greater the growth potential of the economy.

Only glacially, however, is this message sinking in in the United States. Child care, paid leave, and workplace flexibility are not a strong suit of the U.S. government and many corporations, and therefore represent an Achilles Heel to the long-term growth potential of the country. The United States is one of the few nations in the world that does not mandate paid maternity leave. Our policies and practices are aligned with a small list of countries, including Papua New Guinea—one of the least developed nations in the world. This "motherhood penalty" not only hurts females and their households, it also penalizes the U.S. economy in general. Companies, of course, suffer as well, but are belatedly waking up to the fact that a better work/family balance is critical to their long-term success and survival. Paid leave and workplace flexibility programs designed to meet the needs of men and women are becoming more of the norm in many forward-looking firms where the war for talent is heating up.

Women in politics matters because the more women participate in the political decision-making process, the more diverse the debate. The inclusion of women increases bipartisanship and advocacy for issues like family leave and special education for children. Politico.com, weighing in on the 104 women in Congress, notes that women politicians in America "have long been viewed—and sold to voters (and donors)—as distinctly different from men, more grounded and tuned in to the real-life health and welfare needs of women, children, and families; more collaborative and cooperative … Women of color in particular, and African-American women especially, were known as advocates for a wide range of marginalized communities."[13]

A World Bank survey of women in parliaments around the world notes that "women are more likely to act in a bipartisan manner and are more likely to surface new ideas and bring new issues to the policy table. Increasing the number of women in our parliaments can have a positive impact on government transparency and result in policy outcomes more inclusive of the whole population."[14]

All of the above makes democratic institutions stronger and sturdier, and given the current political rancor in the United States, any elements that increase bipartisanship would be surely welcomed by investors. Yet despite the case for it, "female political representation tells a sad tale of underachievement," as pointedly stated by the World Bank.[15] While women political leaders around the world have doubled since 2005, political participation of women remains relatively low worldwide. Presently there are more than 175 heads of state worldwide, and women account for just 18 of these posts—or just over 10 percent, according to the United Nations. And while the World Bank's review of 84 countries shows the share of women in parliaments has increased in the last 15 years, the share was still less than a quarter—about 22 percent—in 2015.[16]

Finally, **women and technology** is a sector shift with game-changing potential for women and the global economy. But first the bad news—more men than women have access to the Internet around the world, putting millions of women at a disadvantage in a host of activities, including banking, looking for work, networking, creating business contacts, trading, receiving microfinancing, and studying online. Over two billion women have never logged on to the Internet, with the bulk of these women in developing nations. Now the more encouraging news: The number of women with access to the Internet or ownership of a smartphone continues to rise, notably among Millennials. True, there are many social and cultural norms to overcome yet, as we discuss in Chapter 3, but as women around the world become more connected and engaged in the global digital economy, the upside for the world economy is tremendous. An Intel analysis says that making the Internet accessible to 600 million women and girls (40 percent of them from developing countries) could generate an estimated additional $13 to $18 billion in annual GDP across 144 developing nations.[17] This would also, hopefully, encourage more girls and women to pursue careers in STEM (science, technology, engineering, and math), where women are overwhelmingly underrepresented. The share of young women earning computer science degrees in the United States has dropped from 38 percent in 1985 to just 18 percent today.[18] This translates into less available female workers in critical and high-paying jobs like civil engineering, computer programming, industrial engineering, and mechanical engineering. If you combine women with technology—and its time-saving and productivity-enhancing capabilities—real growth could potentially accelerate, income inequalities would most likely narrow, providing a vastly improved future for all.

Social Progress and the Fairer Sex

Our ten womenomics metrics, which underpin the chapters that follow, are hardly exhaustive. Nor is our analysis unique, although we think it's essential to list macroeconomic indicators that respond to what Karl Marx once said: "Social progress can be measured exactly by the social position of the fair sex."

Different initiatives to create better measures of social progress and well-being are gaining credibility alongside the traditional economic indicators that have been used for decades. Riane Eisler's Caring Economy Campaign, Michael Porter's Social Progress Index, the Institute for Economies and Peace's annual World Peace Index, and the Omidyar Foundation's Property Rights Index are just a few of the new initiatives exploring how to measure social and economic progress together. We acknowledge the importance of these types of indicators and talk about them in other chapters, but the list we have chosen supports a strong framework and sharpens our lens on the promise and peril of women as economic drivers of growth, cultural change, and social progress.

Progress toward the *Oxford English Dictionary* definition of gender equality—"the state in which access to rights or opportunities is unaffected by gender"—differs by region, country, and within countries significantly. Much work remains before many countries, the United States included, come close to anything resembling gender equality.

Much work also needs to be done in better defining the metrics and measurements of womenomics. Our ten areas of measurement are just a start but have proven to be engaging enough to enlighten a room of investors about the economic potential of women and their overwhelming relevance to investment strategy. So returning to our room full of investors, typically by the time we get done explaining the economic benefits of more women fully engaged in the labor force—when it sinks in that women are outperforming men in education; when it dawns on the crowd that women are not paid equally but are nevertheless a potent consuming and wealthy cohort no company can ignore; when it becomes clear that America's family-leave policies are some of the most archaic in the world and an underlying threat to our global competitiveness; when it clicks that women are creators of businesses, enhancers of corporate performance, capable political leaders, and savvy technology users—well, by then, minds are racing and eyes have stopped rolling, and the skepticism surrounding womenomics is less palpable. Questions about strategies and approaches for such changes still exist among listeners, for sure, but, at the conclusion of our talks, most folks walk out of the room with a better understanding of what womenomics is and how gender lens investing can enhance gender equality and equity, and generate financial returns that will turn their heads.

Our Top 10 Metrics

1. Female labor force participation rate
2. Educational attainment
3. Women's income and wealth
4. Gender pay gap
5. Unpaid work
6. Women entrepreneurs
7. Corporate gender diversity
8. Paid family leave
9. Women in politics
10. Women and technology

Notes

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