

# Women as a force for economic change



# Contents

## Publication details

This report has been prepared by UBS.  
Please see important disclaimer and disclosures at the end of the document.

### Editor in Chief

Carl Berrisford

### Authors

Carl Berrisford  
Min Lan Tan  
Soledad Lopez  
Chisa Kobayashi

### Desktop Publishing

Margrit Oppliger  
Werner Kuonen

### Project Management

Nicole Lee

### Cover photo

iStock

### Languages

English, Chinese (traditional and simplified) and Japanese

### Contact

[wmrfeedback@ubs.com](mailto:wmrfeedback@ubs.com)

Foreword .....	3
Introduction .....	4
Chapter 1	
<b>Persistence of the gender gap</b> .....	<b>6</b>
Interview with Hana Dang Cultural attitudes, education opportunities & career challenges .....	8
Chapter 2	
<b>The glass ceiling</b> .....	<b>11</b>
Chapter 3	
<b>Towards a solution – understanding what matters</b> .....	<b>15</b>
Interview with Yukari Inoue Addressing traditions, identifying policy challenges, need for empowerment .....	16
Interview with the Baroness Ruby McGregor-Smith, CBE Maternity challenges, building aspirations, role models .....	20
Interview with Essie Weingarten Entrepreneurship, leadership priorities, mentorship .....	24
Disclaimer .....	26

# Foreword



Tom Naratil

Dear Reader,

Today, as investors, policymakers and business owners hunt for new sources of sustainable growth, the economic potential of women remains glaringly untapped. Across the academic and corporate arenas, a significant gender gap continues to create a substantial drag on the global economy. And while there's a broadly shared acknowledgment of the opportunity, decisive action to close this gap has yet to materialize.

This publication – the first in a series of UBS reports that will focus on the role of women in today's globalized world – spotlights the upside opportunity that greater access to and inclusion in the global economic mainstream would mean for women, and for broader society. According to research, if women were paid and participated in the labor market in line with best-in-region levels, they would add USD 12 trillion to the global economy within a decade – an 11% jump in global GDP. There is also considerable evidence that greater gender balance, in particular within corporate boards and executive teams, is associated with better financial results. Yet systemic and cultural barriers have made parity frustratingly elusive so far.

However, there are reasons to be optimistic. In the following pages, we identify some of the

underlying structural challenges that have long left women on the economic sidelines and suggest a number of pathways that are critical to moving forward. We also highlight a number of global governmental and corporate policies that have been implemented with varying degrees of success. Finally, we show that while the continued economic exclusion of women is afforded even greater urgency given the current macro climate and the unfavorable demographic trends in many countries, debates about the best ways to tackle this pressing topic point toward specific solutions.

For UBS, a firm that is present in all of the world's largest and fastest growing markets, this is an issue of profound importance. We take seriously the responsibility we have to our clients, employees, shareholders and communities to help identify ways to unlock growth and to foster more widely felt prosperity. This report affirms our belief that when high-potential individuals have the opportunity to leverage their unique skills and contribute diverse perspectives, the outcomes can be powerful.

Thank you for taking the time to read this report and for your interest in this important topic.

Tom Naratil  
President Wealth Management Americas  
and President Americas

A handwritten signature in black ink that reads "Tom Naratil". The signature is written in a cursive, flowing style.

# Introduction



Carl Berrisford



Min Lan Tan

**“We’ve all come to recognize – prime ministers, presidents, heads of companies – if we want this increase...in GDP, you have to get the other half working and participating in the economy.”**

— Melinda Gates, American businesswoman and philanthropist

As the world grapples with a sluggish economy, the need to embrace change and innovate becomes a necessity. But finding new sources of growth isn't easy especially in the face of structural challenges, not least of which are an ageing workforce and falling fertility rates.

It may not be obvious to many but one force for economic change that could add trillions to global GDP may just be among us – women.

In “Women as a force for *economic* change”, we take a closer look at how a better gender balance can significantly impact economic growth, the enduring persistence of the gender gap, the realities of the glass ceiling, and the key issues that governments, corporations and individuals should consider as we work towards a solution.

We also interview four leading businesswomen from across the globe – Vietnam, Japan, the UK and the US – who provide insights on the many challenges and learnings about working women in their region.

We are excited to share with you our perspectives on the topic of gender diversity as we walk you through our very first “Women as a force for *economic* change” publication.

**Sluggish economic climate demands urgent action to close gender gap.** To revive the sputtering global economy, closing the gender gap, particularly in the workplace and boardroom, is mission critical. Structural challenges in global economic and demographic trends, including declining labor participation and falling fertility rates, are forcing workforce gender issues to be addressed systematically and with a sense of urgency. According to the McKinsey Global Institute, matching female to male participation rates at best-in-region levels could boost global GDP by USD 12 trillion or by 11% within a decade. This has raised awareness of the enormous opportunity that “women as a force for economic change” can offer in a challenging phase of global economic growth.

**Persistence of the gender gap.** We have come a long way since the United Nations started promoting gender equality and empowering women as a millennium goal a decade and a half ago. But the progress follows a state of severe imbalance and is still relatively slow even in so called developed or mature economies. According to the OECD, only 50% of the world's women are gainfully employed, much less than the 75% for men. And women still earn on average 24% less than the men globally. Women also remain under-represented in many sectors such as science-related research and

technology, causing an employment segregation gap. Yet, above all, the issue of the gender gap is a complex one to tackle and the reasons for its persistence vary around the world – and are not peculiar to any culture, region or level of economic development.

**Maternity and domestic burden are common challenges among women.** In spite of the complex and varied reasons behind gender inequality, we find one denominator common across cultures and regions – that of maternity and the issue of domestic burden. This is a key consideration for women to either abstain from the workforce entirely or only seek part-time work, and the extent to which labor policies and corporate practices support or discourage maternal employment is also of notable importance. Best-in-practice policies suggest that paid parental leave rather than maternal leave can contribute to improving women participation rates in the economy. Similarly, ready access to subsidized and quality child care plays a major role in encouraging women to return to the workforce after dropping out due to maternity.

**Addressing the glass ceiling as important as increasing women labor force participation.** Getting more women into work is only a partial victory if they are confined to lower levels of the corporate hierarchy. A recent UBS CIO study showed that companies where at least 20% of senior leadership positions were held by women were more profitable than their less gender-diverse peers. Still, women hold only 18.1% of all directorships among MSCI World Index companies. And although female directors have a notable lead in educational attainment over their male counterparts, male directors tend to have more “C-suite” experience, holding CEO, CFO and other chief positions, than female directors.

**Governments and corporations key to narrowing the gender gap.** For governments, the optimal policy mix may extend to the spheres of education, family planning, and fiscal and labor policy measures, and must be designed to address the specific needs of each country – whether developed or developing. Aspirational gender quotas have emerged as a practice in some countries and appear to have achieved results, raising female leadership in politics and the corporate world. Other effective gender policies may require dedicated action towards women as a sustainable feature of corporate behavior, including equal pay structures, a strong pipeline of talent in both middle and senior management, stronger family support policies, and mentoring and sponsorship programs to support the promotion of women.

**Lasting solutions require costs, trade-offs and shift in mindset.** There is no one-size-fits-all prescription for addressing the gender gap, but acknowledging the persistence of the gap and its attendant economic costs is a crucial first step towards a solution. According to the McKinsey Global Institute, closing the gender gap within a decade will cost as much as USD 2 trillion or 1.7% of global GDP. More importantly, lasting solutions and sustainable progression entail a fundamental shift in mindset and cultural attitudes – the buy-in of the broader society and governments that these measures are for the greater good. And that they will involve costs or trade-offs over the short and long term at the family, corporate, and fiscal levels. The strength of the outcome will also vary by country and the extent to which social attitudes are entrenched, and incentives are in place to enforce these policies.

Carl Berrisford  
Equity Analyst



Min Lan Tan  
Head of APAC Investment Office



# Persistence of the gender gap

**“No country can truly develop if half its population is left behind.”**

— Justine Greening, UK Secretary of State for Education

The importance of gender equality in achieving sustainable long-term economic growth has long been recognized by global agencies such as the World Bank, the Organization of Economic Cooperation and Development (OECD), the International Monetary Fund (IMF) and the United Nations (UN). While progress has been made, women are still under-represented in the global workforce, especially in leadership and managerial positions, while discrepancies in wages and employment segregation continue to be a reality.

## Labor force participation gap

Only 50% of the world’s women are gainfully employed compared to 75% of men. The gap has undoubtedly narrowed in most countries in recent decades, but considerable disparities still exist. According to the OECD, the gap remains greatest in Saudi Arabia and India at over 45%, and lowest

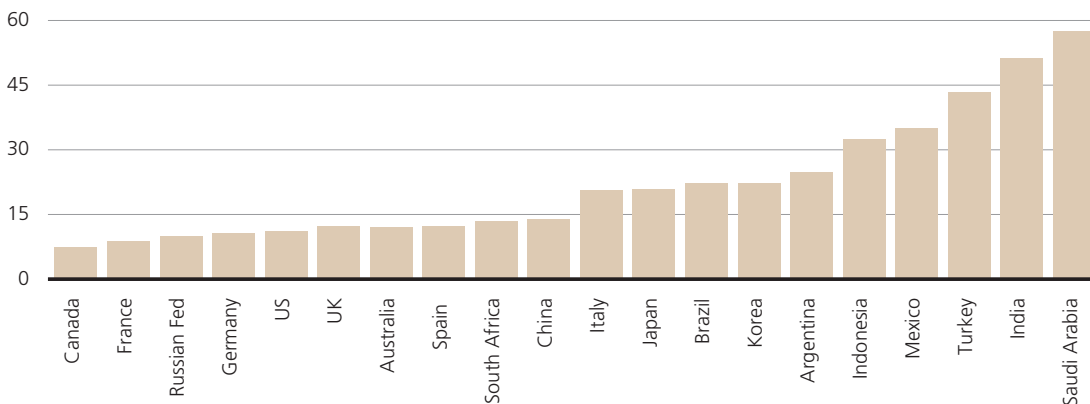
in Canada and France at under 10%, suggesting some contrasting circumstances between developing and developed markets.

Economic inequality between the sexes is rooted in educational opportunities. According to the UN, educational attainment has accounted for about 50% of economic growth in OECD countries over the last half century. Much of the improvement in education has been achieved by equalizing the number of years men and women attend school, and by increasing women’s access to higher education. Women already surpass men in post-secondary school enrollment in most developed countries and half of the developing ones. However, while equal-education opportunities are a good first step in addressing the gender gap, they do not necessarily translate into equality in labor force participation.

Fig. 1

Female labor participation deficit relative to men by country (15–64 years)

Gender gap in %



Source: OECD Employment database, as of March 2014



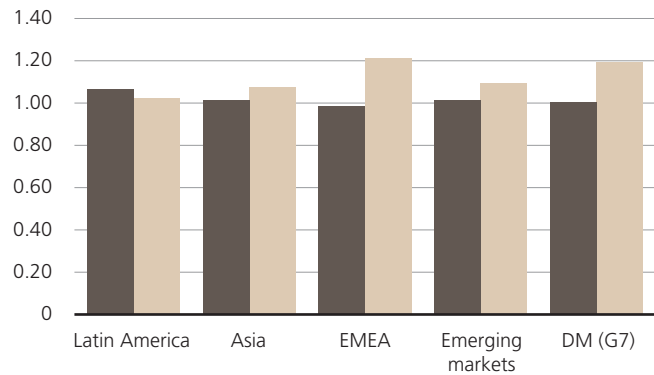
## Gender equality and empowerment to women and girls: Matching statistics with UN goals

The number of women represented in world parliaments nearly doubled over the last two decades, but at 22%, the level remains low. Female working-age participation in the workforce also rose over this period, but at 50%, it also remains well below the men's 75% level. In addition, women still earn on average 24% less than men globally. The UN Sustainable Development Goal No. 5 aims to address these gaps. By 2030, the UN wants girls and boys to complete free equitable and quality primary and secondary education; achieve full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life; and have the value of unpaid care and domestic work recognized through the provision of public services and social protection policies.

Fig. 2

### Gender parity index by level of education\*

Gender differences at secondary and tertiary levels in EMs and DMs are small



■ Gender Parity Index in secondary level enrolment

■ Gender Parity Index in tertiary level enrolment

\* the ratio of women to men

Source: UN's Millennium Development Goals Indicators



istock



## Interview with Hana Dang Cultural attitudes, education opportunities & career challenges

**Hana Dang** is CEO of Golden Communication Group, a Ho Chi Minh City-based marketing and advertising company. She was born in Vietnam and has an MBA from the University of Chicago Booth School of Business.

### **Vietnam has a large number of women CEOs at listed companies. What are the key reasons for this and is it replicable in other Asian countries?**

This is linked to the culture and history of Vietnam. The Vietnam War resulted in the death of large numbers of Vietnamese men. Many women who are now CEOs grew up with single mothers of strong character. We often discover this when we sit down around a table and discuss our families. Entrepreneurship is generally strong in Vietnam. However, because of the role model of the strong single mother, Vietnam has created a breed of women who are highly motivated to manage their own companies. These factors may not be easily replicable in other Asian countries.

### **Would you say that men and women have equal educational opportunities in Vietnam?**

There is educational equality for men and women if you are from an educated background, wealthy or live in the city. In rural Vietnam, where 70% of the population still resides, it is not so equal. If families can only afford to send one child to school, they will normally choose a boy over a girl. But the proportion of kids that do not go to school is generally low. Still, rural Vietnamese are emerging from poverty and can generally afford to send their children to school. The government also offers some support in this respect so that helps to balance the educational opportunities for the sexes.

### **Which are the industries in Vietnam where female participation is low or where female participation might be frowned upon?**

Interestingly, women outnumber men in Vietnam, so you tend to see this reflected in the basic workforce everywhere. At the level of middle management, despite the greater number of women in the workforce, the share of male and female middle managers is roughly equal. However, at the level of senior management you will find that only 10–20% are women. Female CEOs normally sit on male-dominated boards of directors!

### **As the CEO of a successful marketing company, what are the greatest challenges you have faced in your career path?**

Traditional attitudes towards women remain deeply ingrained in Vietnamese culture. When I started my adver-

tising company as a 25-year-old, I hired a male creative director from Belgium who happened to be quite tall. At meetings, clients always assumed I was his secretary. When I attended UC Booth, the number of female students was less than around 20% and this fell to 10% by the end of the course due to dropouts. In Vietnam, when women give birth they tend to drop out of the workforce, while men climb the corporate ladder and get promoted. In my own experience, even when I have done a good job, I feel a constant need to have to prove myself although this tends to change once your reputation is more established.

### **Would you describe the management styles of female and male CEOs at Vietnamese companies as being different? If yes, could you provide examples?**

This is a difficult question. I believe both men and women managers have strengths and weaknesses. Possibly, women managers have a softer manner of communication, while men may be more direct. However, women can also be overly sensitive and waver in making hard decisions, while men may find this easier to do. Ultimately, I believe in mixed management teams which can combine the strengths of both sexes. It requires a lot of skill as a female CEO to convince a male-dominated board of directors. For a listed company to get the buy-in of all the shareholders, who are usually men, is harder still.

### **What do you see as the major challenges to overcoming the gender gap in the coming years as Vietnam's economic development progresses?**

I think that traditional cultural attitudes towards women remain a hurdle. Much like in China, Vietnamese families prefer to have boys and will continue to give birth until they get one. Thus, having families with several girls and one boy is quite common. However, there are penalties for having more than two children in Vietnam, although these are not as onerous as they are in China, even though they have been relaxed there too. Urbanization and also the openness of the internet (Facebook is very popular in Vietnam) are helping erode these attitudes and are bringing about positive change, so the outlook for gender equality in Vietnam is certainly improving.



## “Educate a woman and you educate her family. Educate a girl and you can change the future.”

— Rania Al Abdullah, Queen Consort of Jordan

### Employment segregation gap

Despite the progress made in education equality, women tend to be under-represented in fields related to science, engineering, manufacturing, construction, IT and information. They also earn fewer advanced degrees, especially in science-related fields, resulting in more men than women in research. Women account for 30% of all researchers, an increase over previous decades but still far from parity. And in IT and information, female participation remains globally low at around 33%.

The segregation bias continues, with the employment of women concentrated in domestic work, education, and health and social work. Here the contrast between developed and developing regions is not so marked.

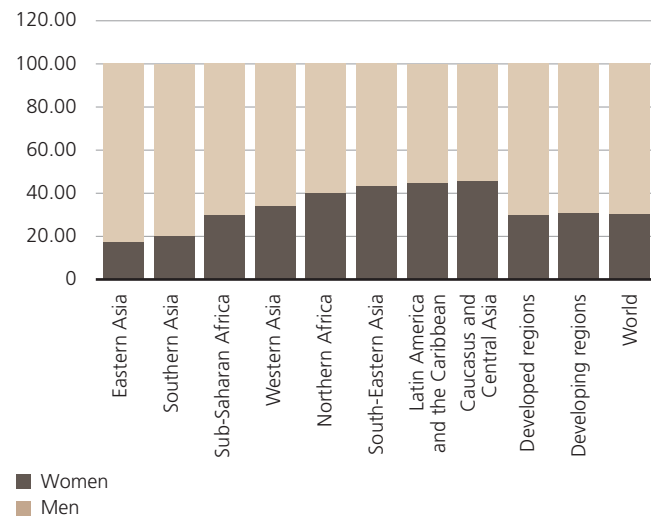
### Gender pay gap

Although progress has been made in many countries in narrowing the pay difference between men and women, the rate of normalization has been slow. Based on a UN labor study of the EU gender gap, the disparity in hourly wages between the sexes tends to be greatest in the financial and the insurance sectors at 60% female-to-male earnings; the smallest is in water, supply sewerage and waste, where the ratio exceeds 90%. Significantly, it is the service sectors which are increasingly the growth engines of developed and many developing economies, and whose share of GDP is typically on an uptrend. Interestingly, there is no clear regional, cultural or trend by level of development in the state of the gender pay gap at country level (see Fig. 4)

Fig. 3

### Science-related research is one of several fields where women are under-represented

Women's and men's share of the total number of researchers by region, 2011



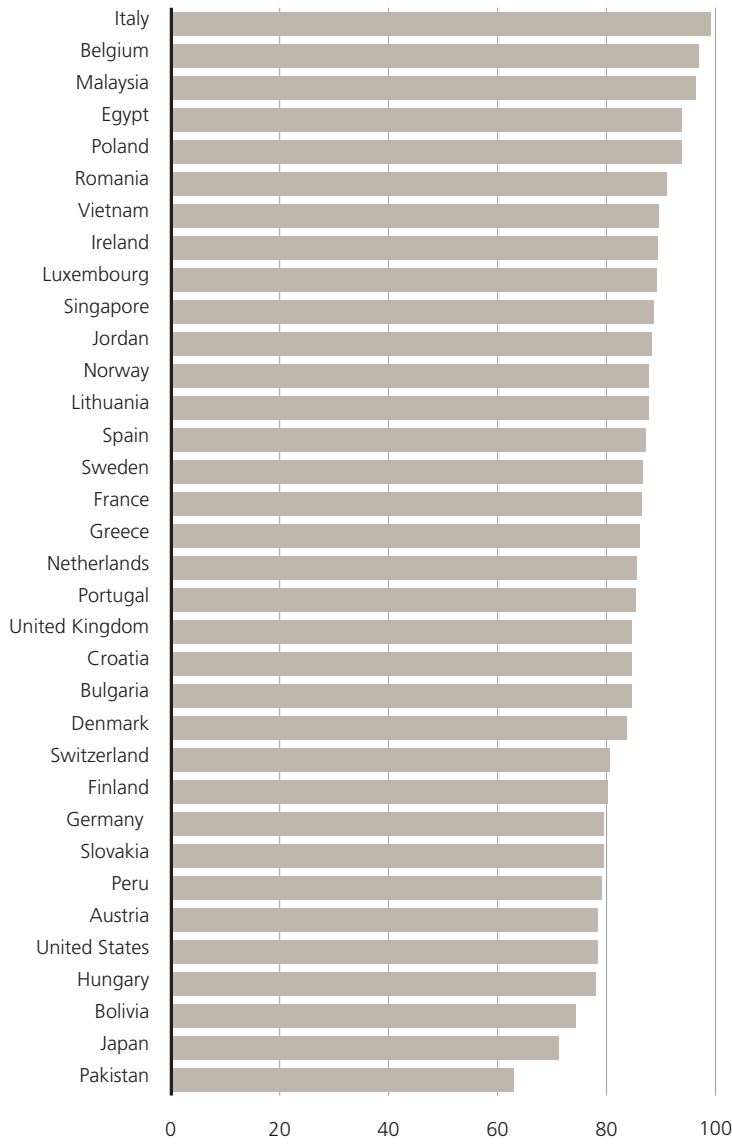
Source: UN, as of 2015

### The Halifax pocket money survey exposes gender gaps at an early age

A pocket money survey conducted last year by British building society Halifax suggests that financial biases towards genders exist at an early age, though they are changing rapidly. According to the Halifax survey, more boys in the UK receive weekly allowance than girls (81% vs. 74%). Boys also received on average 11 pence more than girls. But the gender gap of 1.2% has contracted sharply since 2014 when it stood at 5%. The 2015 survey also revealed a reversal in the trend of more girls being asked to do chores in return for spending money than boys. For example, 19% of girls and 22% of boys were asked to perform tasks in exchange for allowance, compared to 28% and 21% respectively the previous year.

Fig. 4

Ratio of female-to-male earnings, 2008–2012



Source: United Nations, as of 2015

# The glass ceiling

**“Hiring and promoting talented women is the right thing to do for society and it’s an economic imperative.”**

— Carlos Ghosn, Chairman, Renault-Nissan Alliance

## Women under-represented in corporate leadership

Matching male and female involvement and pay in labor markets across industries is desirable but only a partial win if women are limited to the lower ranks of the corporate hierarchy or in supporting rather than operational roles. An enduring characteristic of female labor market participation is the so-called “glass ceiling,” an intangible barrier that appears to have prevented women from rising to higher level positions. This also contributes to the imbalance between men and women in senior corporate managerial positions.

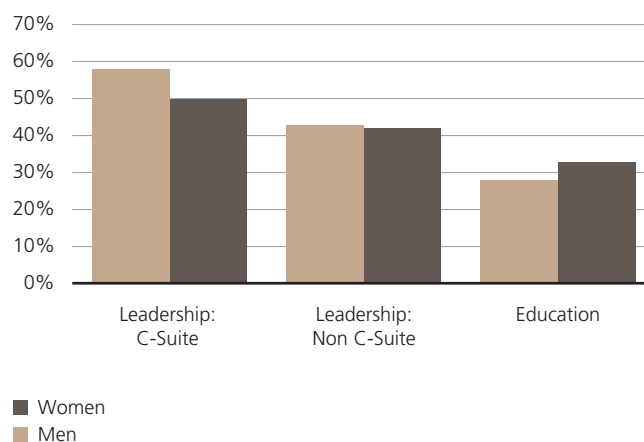
The pronounced gender gap at the level of corporate leadership is reflected in the low numbers of women in corporate directorship and corporate executive positions at publicly listed companies. Among MSCI World Index companies, women held 18.1% of all directorships.<sup>1</sup> For MSCI Emerging Markets, the figures fall to 8.4%. Norway, Sweden and France have the highest percentage of board seats filled by women at 40.1%, 33.7 and 33.5% respectively in part due to the imposition of quotas requiring corporate boards to have 40% of positions filled by women.<sup>2</sup>

According to the MSCI study, the frequent attribution to the qualification gap to explain the gender imbalance in the corporate boardroom appears to have no merit. Female directors have a notable lead in educational attainment over their male counterparts (see Fig. 5). Male directors, however, tend to have more “C-suite” experience holding CEO, CFO and other chief positions than female directors. This tends to reflect the glass ceiling that blocks women aspiring to senior management positions.

Fig. 5

### Ratio of men vs. women in leadership positions and their qualifications

MSCI World Directors as of August 15, 2015



Source: MSCI ESG Research, as of November 2015

<sup>1</sup> Source: MSCI Women on Boards: Global Trends in gender diversity on corporate boards, November 2015

<sup>2</sup> However, it has been noted that even in Scandinavian countries a high level of board representation does not necessarily translate into a high level of women in chief executive roles. (Source: Time, June 2014 “The surprising countries with more Women in Corporate leadership than the US – or even Scandinavia”)

## Cultural and regional differences

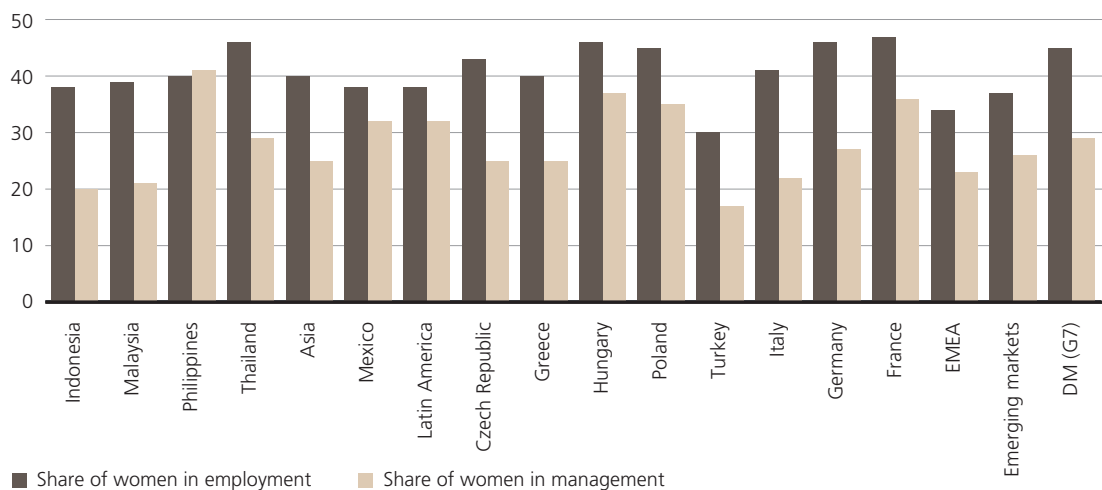
According to the UN, France has the highest share of women in management in the OECD at 36% compared to a 47% female labor participation rate. Significantly, in emerging markets, the percentage of working women in managerial positions is not that much behind G7 markets – though overall female labor participation rates are smaller.

Other studies that have used different corporate universes have argued that Eastern European, ASEAN and BRIC companies enjoy higher levels of

women in senior management than G7 countries. For example, a study by Grant Thornton (Grant Thornton International Business Report 2016) concluded that women in senior management is 26% in BRICS, and 35% in Eastern Europe, with Russia topping the charts at 45%. The egalitarian ideology, coupled with equality of education, government requirements of maximum labor force participation, and easy access to state-run childcare, seems to have bred a culture of equal opportunities and the promotion of women.

Fig. 6

Share of women in employment and in senior and middle management, 2009–2013, in %



Source: United Nations, as of 2015

### Women score poorly in the number of senior appointments and employment at central banks and international agencies

Of the 176 global central banks, just 14, or 8%, had a woman as governor as of August 2015: five in developed regions (Cyprus, Russia, Serbia, Ukraine and the US); four in sub-Saharan Africa (Botswana, Lesotho, Sao Tome and Principe and Seychelles); and the remaining five in other developing regions (the Bahamas, Malaysia, the Maldives, Samoa and Palestine). On

average, 24% of central bank employees are women. The percentage is even lower at international institutions – the IMF, the World Bank, the Bank for International Settlements and the International Organization of Securities Commissions – ranging from just 4% to 20%.

“If Lehman Brothers had been a bit more Lehman Sisters ... we would not have had the degree of tragedy that we had as a result of what happened.”

— Christine Lagarde, MD of IMF



iStock



## Impact of gender diversity on corporate performance

Studies<sup>1</sup> suggest there is strong empirical evidence that diversity in senior leadership positions and corporate boards can improve corporate performance. One reason for this is the belief that diversified boards make better decisions potentially because women are more “risk averse.”

Leading asset owners and global advocacy groups have called for women to make up at least 30% of boards of directors, based on statistical studies of company profitability and financial performance. Academic research has suggested that three female board members constitute a critical mass that enables them to contribute more equally to group decision making<sup>2</sup>.

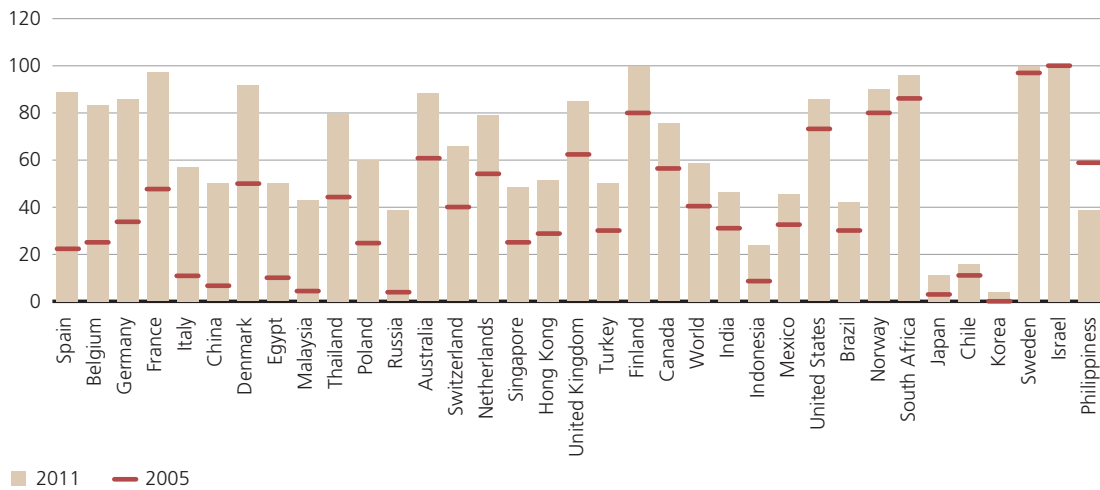
### Companies with gender-diverse leadership enjoy superior financial performance

A sustainable investing report by UBS CIO Wealth Management Research (“On the road to parity: Gender lens investing”) revealed that more gender-balanced US companies, in terms of executive management and board representation, tended to outperform the broader US equity market over a six-year period. The same study found that, in the US, Russell 1000 companies with women making up at least 20% of the board and senior management had higher profitability across vari-

ous metrics relative to their less gender-diverse peers. A separate 2016 study by the Peterson Institute for International Economics found a substantial correlation between the presence of women on corporate boards and in senior management and firm performance. For profitable firms, a move from no female leaders to a 30% representation is associated with a 15% increase in net revenue, based on 21,980 firms headquartered in 91 countries.

Fig. 7

Proportion of companies with at least one woman on their executive board in 2005 and 2011, by country



Source: United Nations, as of 2015

<sup>1</sup> Source: Hong, Lu and Page, Scott “Groups of diverse problem solvers can outperform groups of high-ability problem solvers”, New York University Press, September 2004.

<sup>2</sup> Kramer A.M,V and Erkut, S.

# Towards a solution – understanding what matters

“If you had parity of employment in Africa, you would raise GDP by 12%.”

— Melinda Gates

## The economic case for a better balance

**What is at stake.** Resolving gender-gap issues acquires a new relevance in the current global economic predicament. With global economic growth challenged by cyclical and structural factors such as demographic aging and falling fertility rates, addressing imbalances in the workforce is seen increasingly as a solution. A key argument is that rapid aging is shrinking the global labor force and addressing the gender gap by raising female labor force participation to male levels would stimulate economic growth. Japan is often cited as an example of a stagnant economy where rapid aging is eroding the labor force while women, who are among the best educated in the region, remain an under-utilized asset. The current Japanese government has responded with a number of initiatives to encourage women to seek jobs under the campaign “Womenomics” (see side box).

According to a 2013 IMF study<sup>1</sup>, GDP per capita losses attributable to gender gaps in the labor market are estimated at 27% in some regions of the world<sup>2</sup>. Raising female levels of labor participation to match those of males would raise GDP in the US by 5%, in Japan by 9%, in the UAE by 12%, and in Egypt by 34%<sup>3</sup>. The International Labor Organization estimates that 865 million women worldwide could be more fully engaged in the national economy. The lion’s share of them (812 million) resides in developing nations.

<sup>1</sup> Source: IMF “Women, Work and the Economy: Macro Economic Gains from Gender Equity”, September 2013.

<sup>2</sup> Source: Cuberes, D., and M. Teignier, 2012, “Gender Gap in the Labor Market and Aggregate Productivity”, Sheffield Economic Research Paper.

<sup>3</sup> Source: Aguirre et al, 2012, “Empowering the Third Billion. Women and the World of Work in 2012” Booz and Company.

## Womenomics – the Japan initiative

“Womenomics” is an initiative of Japanese Prime Minister Shinzo Abe to boost female workforce participation to stimulate economic growth. It recognizes that limited job opportunities for women, especially mothers, could be contributing to Japan’s economic stagnation. The program also seeks to boost Japan’s low fertility rate. The World Economic Forum ranked Japan 101<sup>st</sup> out of 142 countries in gender equality in 2015. Womenomics encourages

more family-friendly policies by employers, seeks to add childcare centers for working parents and aims to increase the number of women in leadership positions in business and government through a goal system. It also endeavors to broaden paid maternity and paternity leave policies, and reform the tax system to promote these goals. It has been showcased as a model for other countries with similar low female labor participation rates to emulate.



## Interview with Yukari Inoue Addressing traditions, identifying policy challenges, need for empowerment

**Yukari Inoue** is the Managing Director of Kellogg's Japan and South Korea, and an external board member of JC Comsa Corp. and Suntory Beverage & Food Ltd.

### **Japan is the world's third largest economy, yet it is ranked 101<sup>st</sup> out of 142 countries in gender equality by the World Economic Forum. Can addressing Japan's gender equality improve the growth prospects of the Japanese economy?**

I think gender equality is a key to success, and many studies show increasing women leaders can improve business results, including profitability. Women make up half the population and contribute more than 60% of the consumer purchases in Japan. To drive continued business success, we need to do things differently. Women bring different perspectives, experiences, and thinking, complementing other views and strengthening the team and the business as a whole.

### **What are the major challenges to Abe's "womenomics" initiative to increase the number of women in the workplace? What is required to make it work? What additional measures do you think Japan can take to close the gender gap?**

The bill promoting active participation by women issued last year requires companies with over 300 employees to set up internal targets, develop action plans and publically share the status. I think this is great progress. I believe one of the biggest challenges is to break the unconscious bias among male leaders and for all to truly embrace women leaders. We need to encourage everyone to initiate more open conversations to share concerns and learn best practices. It would also be effective to provide tangible and visible incentives to reward those who meet the targets.

### **Women make up less than 5% of managing directors or department heads in Japan, according to Cabinet Office statistics. What are the key obstacles to women seeking leadership positions in business in Japan?**

I think this low figure is due to two groups of women. One group of women has high aspirations and drive, but obstacles in their company have limited their careers. This group will eventually be better off thanks to the bill promoting active participation by women. The challenge lies with the other group of women – women who are not interested in taking a leadership position as they can-

not imagine what life would be like if they took the role, who are happy where they are and do not like taking risks. For this second group, we need to inspire them to think differently and dream of a new future by providing role models, improve confidence through coaching and mentoring, and foster an inclusive corporate culture to accept failures.

### **Is it easier to further succeed in the workplace if one is unmarried in Japan? If so, what are the reasons for this?**

I believe success in the workplace depends on one's talents, efforts, mentoring, drive and desire to succeed. All women have unique contributions to make and should be encouraged to succeed.

### **What are the key trends you have observed over the years with regard to women in the workplace? What would you change?**

It is great to see more women in business who balance both their corporate and family responsibilities and more women in traditionally male roles. To support these changes, I would like to see improved day-care accessibility, more flexible work policies and most importantly, a more inclusive corporate culture that respects individual needs and values and recognizes the unique contributions women can bring.

### **What, in your view, are the main differences in leadership style between men and women in corporate Japan?**

I saw a recent global report that showed a correlation between high emotional intelligence and leaders who deliver better results. I observe the same in Japan. Women outperform in the majority of key emotional intelligence competencies, such as emotional self-awareness and demonstrating emotional empathy. I have also witnessed that women are better at using soft skills critical for effective leadership and superior business performance in today's complex, fast-paced and interconnected world.

**As the head of Kellogg's Japan and South Korea operations, do you see any marked differences in attitudes towards women in the workplace in Korea compared to Japan?**

Actually, I find more similarities. We share similar traditional approaches of men working outside, and women working in the home and raising children. We also observe similar social trends, such as increased numbers of highly educated women, low birth rates and a grow-

ing aging population. We also have similar government moves to address gender gaps in employment and work. We have highly engaged and talented females both in Japan and Korea. In the Kellogg's Japan leadership team, four out of seven are female, and in the Kellogg's Korea leadership team, three out of seven. In 2016, Kellogg's Korea was also certified as a family friendly corporation by the Ministry of Gender Equality and Family.

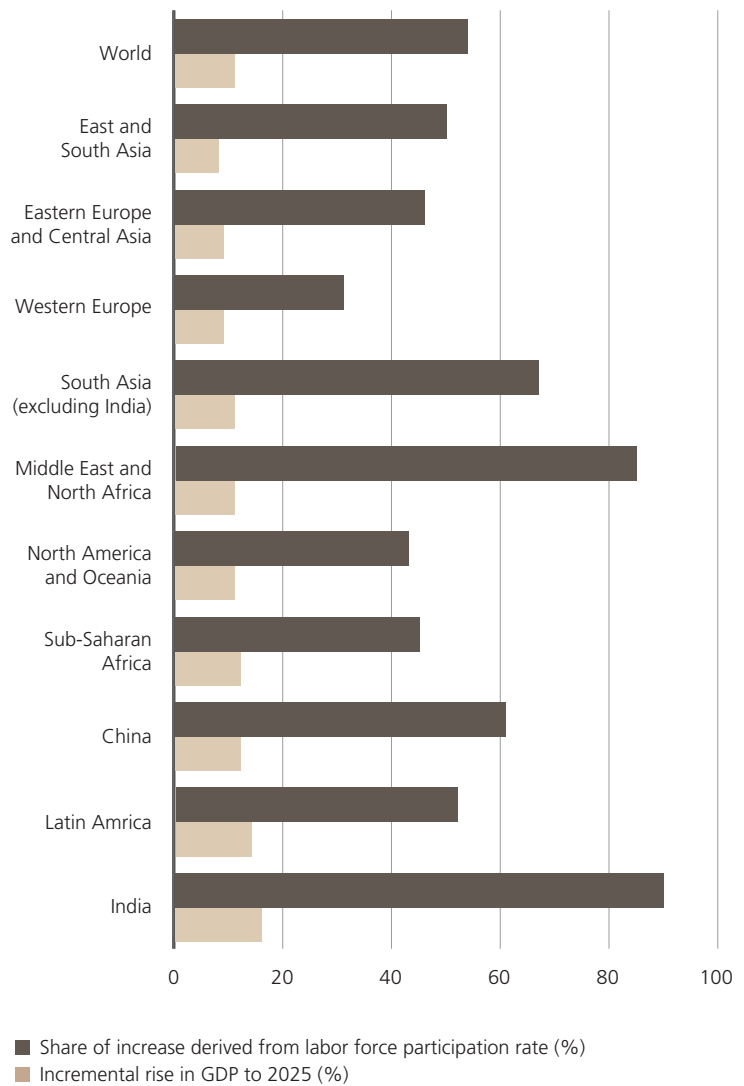


iStock

**Setting realistic targets.** A recent study by McKinsey<sup>1</sup> forecasts that eliminating the gender gap in its entirety could add USD 28 trillion, or a 26% boost to global GDP by 2025. However, the study concedes that such a target may be unrealistic as changes in culture and social values require more time. We view as more realistic an approach which targets narrowing the gender gap by adopting a best-in-region approach. According to McKinsey, this could add USD 12 trillion to global GDP by 2025, equivalent to 11% growth. This estimate is premised on each region improving the gender gaps in the workforce at the rate of the best-in-region rather than achieving female labor participation on par with men. Emerging markets are especially sensitive to improved labor market participation rates, with 90% of the economic value derived from a higher participation rate in India, 85% in MENA, and 67% in South Asia, according to the McKinsey study (see Fig. 8).

Fig. 8

Economic value derived by closing the gender gap is primarily driven by rising women labor participation rate



Source: McKinsey Global Institute Analysis, as of September 2015



## “Children are not a distraction from more important work. They are the most important work.”

— C.S. Lewis, British novelist

### Acknowledging the issue of maternity and domestic burden

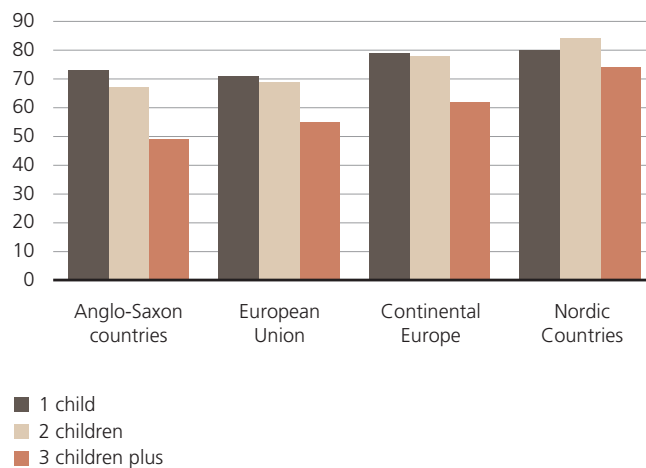
**The domestic burden.** Positive developments in women entering the job market in most countries disguise the fact that they continue to bear most of the domestic burden, including child rearing, care for the elderly, cooking, cleaning and other housework. When regarded as unpaid work, this domestic burden, combined with paid work, results in women working longer hours than men: an average of 30 minutes a day longer in developed countries and 50 minutes in developing countries. The domestic burden also plays a role in shaping the type of employment in which women are typically cast: part-time work, wage work and the informal economy. Women are more likely to be employed part-time than men, which results in lower wages, poor job security, and fewer promotion and training prospects. About 80% of all part-time workers across OECD nations are women.

**The maternity factor.** The different female employment rates by country are often linked to the prevalence of family-friendly labor policies. A UN study of maternal participation in the European workforce by size of family showed a consistently higher employment rate for mothers in Nordic countries than in other European countries (see Fig. 9) thanks to the strong governmental and social support working parents with children

under age three receive there. Indeed, there is strong evidence that Nordic countries display best-in-practice family policies. (see box). In contrast, in Japan, the absence of holistic family policies and support infrastructure has produced a conflict between getting women back in the workplace and producing more babies.

Fig. 9

### Average maternal employment rates by number of children in EU countries by family policy regime, in %



Source: UN (calculated using data from Eurostat 2015)

### Nordic countries lead the charts in best practice gender policies

Nordic countries typically top World Economic Forum charts on global gender gap rankings. Indeed, there is evidence that gender gap policies have deep roots in Nordic politics: Sweden, Norway, Denmark and Finland were amongst the first countries to give women suffrage in 1919, 1913, 1915 and 1906, respectively. Political parties introduced voluntary gender quotas in these countries by the seventies. And Sweden currently leads the world with the highest share of women in parliament at close to 45%. Other Nordic legislatures typically have over 40% of female lawmakers, almost double the global average. The gen-

der gap practices quickly moved to the corporate world, with Norway the first country to legislate a 40% gender quota for the board of directors of public and state-owned companies in 2003, followed by similar quotas by other Nordic countries in subsequent years. Nordic education policies also saw full literacy rates for both genders achieved many decades ago, and currently women at university outnumber men at a multiple of 1.5 times in Norway, Sweden and Iceland. Paternity leave policies were also launched in the region as early as the seventies, and today have greatest acceptance in Finland, Iceland and Sweden.



## Interview with the Baroness Ruby McGregor-Smith, CBE Maternity challenges, building aspirations, role models

**Baroness McGregor-Smith CBE** is the chief executive officer of Mitie Group PLC, a FTSE 250 listed company.

### **Can you describe the challenges you encountered as a woman moving up the career ladder in the UK? Do you feel there are any advantages or disadvantages to being an Asian career woman in the UK?**

It's difficult to reduce the challenges of the workplace down to just gender as there will always be challenges. The hardest thing for me was having young children. In my own case, I left employment for a while because I missed the kids too much. As a mother, your biggest responsibility is always to your kids and the workplace is not always accommodating to challenging families. However, you can manage with the right support. I was in a young industry and received support from the company chairman and chief executive when I re-entered the workforce. I feel there are disadvantages to being an Asian woman in Britain because you are judged on that and more stereotyped than you should be. However, I wasn't aware it was a disadvantage at the time. Being a woman and being different was a novelty.

### **Which aspect of the gender gap in the UK workplace is going to be the hardest to resolve and why? How specific is it to the UK?**

The gender pay gap exists in the UK workplace because women choose different roles. The aspiration for more challenging roles is lacking. Education needs to play a greater role in encouraging young women to believe "they can do anything". They require more role models, mentors and sponsors. This requires a generational change. When I conducted corporate roadshows throughout the UK, I remember that amongst the senior fund managers we met, only two were women. This brings me back to role models. Society will change gradually as more role models come through.

### **What can less diverse industries learn from more diverse industries?**

I think all industries can to some extent learn from each other. Young industries have less hierarchy and more flexibility while traditional or large organizations tend to be more hierarchical and lose out on diverse thinking. Diversity targets in an industry can help break down barriers. But encouragement and support through mentors and

sponsorship programs are important too at narrowing the gender gap.

### **What are the benefits that gender diversity bring to the corporate boardroom in your view?**

Inclusion and diversity are important if you want diverse thinking: it's more motivational to work for a company that looks and feels a bit different. It's going to attract the right talent and diverse thinking creates a better organization. It's not just about the corporate boardroom but at all levels of business and government too.

### **Are there any successful initiatives to address the gender gap in the workplace in the UK that other countries could learn from?**

Whether you are male or female, you are going to be a role model and key to bringing out the best talent from the next generation. In the UK, we have the "Speakers for School" and "Inspiring the Future" programs which connect students and teachers with leading figures in the workplace. When I give talks at schools, the kids have no comprehension of my job and how I got here and I help connect it all back to my own school. I think these initiatives which show children real people should be encouraged. It only takes up one hour of my time a year.

### **Your efforts championing the cause of women, especially in the workplace, have received considerable recognition in the UK. Do you think this is unusual or the norm?**

I think it's a shame that I get to be recognized as championing this cause because we should not have to champion this. The mix of women in the workplace should mirror that of society and everyone should be involved in bringing about this change.

## Policies and practices

Japan remains a prime example where an aggressive gender equality campaign has failed to deliver the expected results. In 2015, the Japanese government was forced to cut the goal for women to occupy 30% of corporate management positions as well as 30% of section-chief positions in the national bureaucracy by 2020 to 15% and 7%, respectively. One reason cited for the poor success rate is that it conflicts with a parallel government policy objective to raise fertility rates. While the government has raised the availability of child day-care centers to encourage working mothers, the quality and access to child daycare centers continues to remain inadequate. Maternity leave is not a mainstream practice in Japan and maternity still remains a primary reason why women leave the workplace.

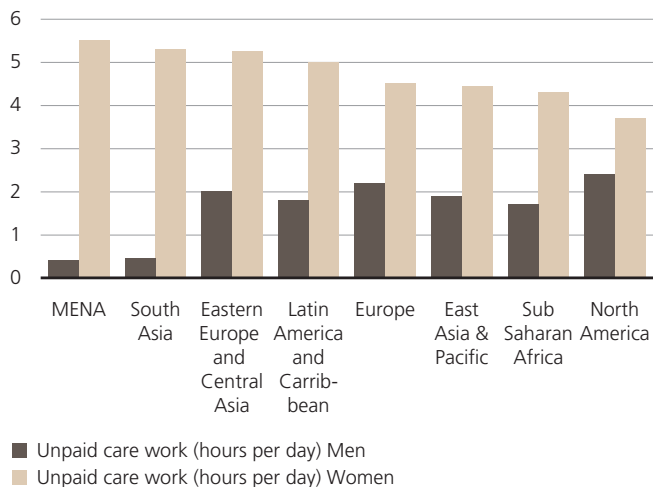
The absence of consequences or penalties for a company that does not achieve gender equality goals has also been raised as a reason for the slow progress.<sup>1</sup> While we see these as potential contributing factors, establishing and developing a sustainable corporate culture that shifts away from gender stereotypes<sup>2</sup> has been shown to be a factor to success. This cannot be achieved overnight, particularly in cultures where gender attitudes are deeply entrenched. For Japan, this also requires a change in the male-oriented labor culture, where long hours in the office are the norm.

### Parental leave matters

The experience of several countries has shown that just lengthening maternity leave may not be enough to keep women in the workplace. Matching paternity leave to maternity leave or offering “parental leave” which partners can share is a more holistic solution. Aside from the implications of shared unpaid workload, promotion prospects are not biased towards men when both sexes are equally impacted by absence from the

Fig. 10

### Time spent on unpaid care work by gender and region – 2014



Source: OECD (2014) Gender, Institutions and Development Database

workplace upon child-birth. However, the acceptance of paternity leave takes time even in countries such as Sweden which is often showcased as an example of success. When paternity leave was first introduced in Sweden, fathers used only 0.5% of the 180 days of parental leave on offer. It took 40 years for this to rise to 25%.<sup>3</sup> In many countries, for parental leave to be effective, work cultures will need to change to dispel the notion of paternity leave as a sign of weakness.

<sup>1</sup> Source: Womenomics achieves baby steps but social forces limit progress, Japan Times, October 29, 2015.

<sup>2</sup> Source: McKinsey & Company, McKinsey Quarterly October 2015 “It’s good to be the Queen ...but easier being the king”

<sup>3</sup> Source: “Why Swedish men take so much paternity leave”, The Economist, July 22, 2014.

Fig. 11

## Comparison of maternity leave benefits

Country	Duration of maternity leave (weeks)	Amount of maternity leave benefits	Source of maternity leave benefits
China	14	100%	Social insurance
India	12	100%	Social insurance (employer for non-covered women)
Indonesia	13	100%	Employer
Korea	13	100%	Social insurance and Employer
Malaysia	9	100%	Employer
Philippines	9	100%	Social insurance
Thailand	13	100% for first 45 days; 50% for the remaining 45 days	Employer (100% for first 45 days); social insurance (50% for remaining 45 days)
<b>Asia</b>	<b>13</b>	<b>97%</b>	
Brazil	17	100%	Social insurance
Chile	18	100% (up to a ceiling)	Social insurance
Colombia	14	100%	Social insurance
Mexico	12	100%	Social insurance
Peru	13	100%	Social insurance
<b>Latin America</b>	<b>13</b>	<b>88%</b>	
Czech Republic	28	60%	Social insurance
Egypt	13	100%	Mixed (75% social insurance, 25% employer)
Hungary	24	70%	Social insurance
Poland	20	100%	Social insurance
Russia	20	100%	Social insurance
South Africa	17	Up to 60% depending on the level of income	Social insurance
Turkey	16	67%	Social insurance
<b>EMEA</b>	<b>19</b>	<b>83%</b>	
United States	12	Unpaid	No national programme
United Kingdom	52	6 weeks paid at 90%; lower of 90%/flat rate for weeks 7–39; weeks 40–52 unpaid	Mixed (employer pays; receives 92% refund by public funds)
Japan	14	67%	Social insurance (state also contributes)
Italy	22	80%	Social insurance
Germany	14	100%	Mixed (social insurance up to a ceiling/employer pays remainder)
France	16	100% up to a ceiling	Social insurance
Canada	17	55% up to a ceiling for 15 weeks	Social insurance
<b>DM (G7)</b>	<b>17</b>	<b>95%</b>	
<b>Emerging markets</b>	<b>14</b>	<b>94%</b>	

Source: OECD

Note: Region averages are based on a select universe of countries.

This can also lead to one member of the couple, usually the woman, opting to make a career sacrifice even when paternity leave is an option. It further reinforces the importance of fostering profound underlying work culture change.<sup>1</sup>

Another issue relating to maternity or paternity leave is the economic burden of subsidizing this for companies in countries where the pay is not covered by the government or social insurance (see Fig. 12) which is the case for several emerging market Asian countries. This burden falls especially hard on smaller enterprises that may have a handful of employees and represents a clear disincentive to hire women. With SMEs employing 45% of the global workforce, the effect can be considerable in populous countries such as Indonesia and India where women's participation in the labor force is notoriously low. (see Fig. 1).

#### Quality of and access to child-care are key

The burden of unpaid work due to child rearing is cited as a key reason women who leave the workforce to give birth do not return. While high earning women can often afford domestic help<sup>2</sup> women with middle or lower incomes are likely to rely on the financial support of a partner. The availability of subsidized or affordable child-care or creches is now recognized as a key policy solution to address this problem. However, if the quality of the child-care is poor or the system is overstrained with limited access, as in Japan,<sup>3</sup> it may have limited success. Free or heavily subsidized child-care will also be reflected in the prevailing income tax rate. In Germany where income tax rates reach 50%, each child has the right to a heavily subsidized crèche. In contrast, in Switzerland where tax rates can be as low as 20%, creches are not subsidized. It can be argued that the fiscal system in Germany in this sense offers greater support to women in the labor force as the burden of crèche costs are indirectly supported by the broader tax system.

#### The need for dedicated corporate policies

All said, while there is empirical evidence that paternity leave and child-care support contribute significantly to reducing the gender gap over time, the phenomenon of the widening gender gap at the mid-career stage for women suggests these measures may not be enough to tilt the work-life balance in favor of working for all women. Best-practice corporations address this with dedicated action towards women, not as a campaign, but as an ingrained and sustainable feature of corporate behavior (culture). Such actions include equal pay structures, a strong pipeline of talent in both middle and senior management, stronger family support policies and mentorship and sponsorship programs to support promotion of women. With reference to the latter, it is worth highlighting the importance of sponsorship over mentorship as the former engages senior managers and holds them accountable.<sup>4</sup>

#### Effective enforcement of labor laws

Segregation within the workforce and in different industries due to legal restrictions can present a sizable challenge to labor policy in some countries and need be resolved with enforceable anti-discrimination policies. Other measures listed by the IMF to reduce the workplace gender gap include flexible work arrangements for women to accommodate their domestic duties and facilitating the transition from part to full-time work. Social acceptance of women in high-level positions has been reinforced by many governments with quotas or targets for women in leadership positions in public and private corporations with some success.<sup>5</sup> Alongside such government policies and targets, it is important to foster the necessary corporate culture and behavior for gender equality to remain a sustainable project.

<sup>1</sup> Source: Oliver Wyman, "Women in Financial Services" 2016.

<sup>2</sup> Source: "Working Mothers who Make it all Work", WSJ, June 19, 2016.

<sup>3</sup> Source: "Quality of daycare in Japan deteriorating", JAPANTODAY, April 3, 2016.

<sup>4</sup> Source: Harvard Business Review "Why Men Still Get More Promotions than Women", September 2010.

<sup>5</sup> Source: Gender Quotas and Female Leadership: A Review Background Paper for the World Development Report on Gender, Rohini Pande and Deanna Ford, April 7, 2011.





## Interview with Essie Weingarten Entrepreneurship, leadership priorities, mentorship

**Essie Weingarten** is founder and global creative director of Essie Cosmetics.

### **When you started out in 1981, how supportive was the environment to female entrepreneurs? What are the challenges women face that are specific to your industry?**

When I started Essie Cosmetics in 1981, it was a different world. I would go to chemists and glass manufacturers and I was told by most of my future vendors that I would have to give them “CIA” – Cash in Advance! In other words, they were not serious about a woman with a startup business. I believed that I could change the way women would think about nail colors by giving them an award winning formula that would go on like silk and wear like iron. The professional nail polish business was essentially nonexistent. All of my competitors were focused on doing makeup, lip color, foundations and eye color. No one was specialized in the business opportunity for nails. The professional category in nail polish was run by men, and all of the companies in the business were also run by men. Because this is an industry that aims to make women feel special, I thought that a woman’s touch could be a competitive advantage.

### **In the US, women are still under-represented at many levels of the corporate pipeline. What do you think are the key barriers here?**

I always used to say there are many men in business – a few amazing men on top, a few at the bottom, and lots in the middle. However, with women in business, there are great women at the top, very few in the middle, and then lots who are just there and have very little drive.

### **What changes does an organization need to make to its culture to enable women to achieve their full potential?**

Most major global companies are top heavy with men. Women may bring a different perspective than men and they can be adept at skills that men may never think about. I feel women do mentor other women better as long as the company is not super-competitive. That goes back to the culture of the company.

### **What are the key trends you have observed over the years with regard to women in the workplace? What would you change?**

Years ago, men in the workplace employed women as secretaries, but now women can be successful as CEOs and

senior executives. Women in management today don’t necessarily require male secretaries; they simply require someone who can best help them to execute their business plan.

### **As the CEO of a successful company, how did you manage the work-life balance? And would you say that the share of women’s home responsibilities has improved in the last 30 years?**

Work-life balance is not as easy as people say it is. To be a good leader has nothing to do with being able to balance your life. As CEO, when you have responsibility for the success of the company and when something unexpected happens, you must be there to respond. Without your involvement as the leader of the enterprise, why would anyone else at the company take the initiative to address a problem that the CEO thinks is unimportant? Of course, family and friends have always understood when I missed an important event because of business. I must say I was not happy to miss so many of my family and friends’ parties and events; however, business came first. I feel that work-life balance is still a difficult issue; however, many women have husbands that do help with children and other family tasks. It has become normal to share responsibilities.

### **What, if any, are the differences in leadership styles of women and men? Could you provide some examples?**

I believe that women in leadership roles get the job done faster and in a more logical way. Maybe this is because of their nurturing abilities. Women possess a different set of skills, possibly because of their experience balancing responsibilities at work and at home. I believe most women have a better sense of teamwork. Women are great motivators and know how to inspire their team.

### **How would you describe women’s support to other women in the workplace? Have you mentored women? What was your experience?**

Women love to mentor young women to make sure they stay focused and interested in the company. Young talented women must be encouraged and really do respond positively when you notice them and take the time to give them that extra attention. Women are very sensitive to customer service and they also like to try new things. They are not afraid to make a decision.

## Solutions come at a cost

According to the McKinsey study, the economic cost of closing the gender gap and boosting the global economy by USD 12 trillion within a decade is an estimated USD 1.5–2.0trn or 1.3%–1.7% of global GDP.<sup>1</sup>

However, the social costs may be of far greater consequence as the policies to address this will involve sacrifices and trade-offs over the short and longer term. At the family level it may involve accepting a different domestic arrangement, at the corporate level it will incur short-term costs, and at the national it may mean higher tax rates.

It remains clear that the correct prescriptive policy mix will vary greatly by region, level of economic development and gender gap policies already in place. In developing markets with significant rural populations, family planning and maternal health-care remain primary areas of development.

Investment in energy, sanitation and water are key precursors for gender gap policies in MENA and South Asia. Important distinctions in education investment arise too, with the need to invest in secondary education more marked in developing markets and tertiary education in developed markets.

In more mature economies, enhanced government labor and fiscal policies, along with better enforcement of these policies, are necessary to reduce gender imbalances in the workforce. Expanding public spending on parental leave schemes is increasingly regarded as a best-in-practice policy. The fact that emerging markets on average provide 14 weeks of maternity leave, which is almost entirely covered by social insurance, compared to 12 weeks of unpaid maternity leave in the US (see Fig. 12) suggests that such policies are not unique to wealthier economies. Empirical evidence suggests that parental leave is an enhancement on maternal leave over the long term.

Policies include increased subsidized access to high-quality childcare as well as reducing the gap in retirement ages between men and women. Fiscal incentives for secondary earners (predominantly female) such as tax credits to stimulate labor force participation are examples of supportive fiscal policies. Linking child support and welfare benefits to labor force participation or job training are also better than simply raising welfare handouts which can act as a disincentive for women to work.

<sup>1</sup> Source: McKinsey Global Institute “The power of parity: How advancing women’s equality can add USD12 trillion to global growth”, September 2015.

## Disclaimer

Chief Investment Office (CIO) Wealth Management (WM) Research is published by UBS Wealth Management and UBS Wealth Management Americas, Business Divisions of UBS AG (UBS) or an affiliate thereof. CIO WM Research reports published outside the US are branded as Chief Investment Office WM. In certain countries UBS AG is referred to as UBS SA. This publication is for your information only and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. We recommend that you obtain financial and/or tax advice as to the implications (including tax) of investing in the manner described or in any of the products mentioned herein. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS and its affiliates). All information and opinions as well as any prices indicated are current only as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS AG, its affiliates, subsidiaries and employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is considered risky. Past performance of an investment is no guarantee for its future performance. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in FX rates may have an adverse effect on the price, value or income of an investment. This report is for distribution only under such circumstances as may be permitted by applicable law.

Distributed to US persons by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Deutschland AG, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS Asesores Mexico, S.A. de C.V., UBS Securities Japan Co., Ltd, UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. UBS Financial Services Incorporated of Puerto Rico is a subsidiary of UBS Financial Services Inc. UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.

UBS specifically prohibits the redistribution or reproduction of this material in whole or in part without the prior written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect.

Version as per September 2015.

© UBS 2016. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

