

Goldman Sachs Exchanges

Women in the workforce: Analyzing the gains and gaps

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Allison Nathan: Twenty-five years ago, Goldman Sachs Research analyst Kathy Matsui wrote a report about the Japanese economy called Womenomics. She argued that future potential economic growth will depend on increased female labor participation. So how much progress have we made since then in Japan and around the world? I'm Allison Nathan and this is Goldman Sachs Exchanges.

Today, we're speaking with Sharon Bell, senior strategist on the European Portfolio Strategy team within Goldman Sachs Research, and also with Asahi Pompey, Goldman Sachs's global head of Corporate Engagement and president of the Goldman Sachs Foundation. We'll first turn to Sharon, who's joining me remotely from our London

office. Sharon, welcome back to the program.

Sharon Bell: Hi, Allison. Thanks for inviting me.

Allison Nathan: So we mentioned Kathy's report. You recently published a new report called Womenomics: 25 Years and the Quiet Revolution, and it looks at some of the progress that has and, frankly, hasn't been made since 1999. What are the biggest takeaways of your report?

Sharon Bell: I think it's that the progress has been so stunning, even if people don't realize it, which is partly why I call it the quiet revolution. If you take Japan as an example, we've gone from roughly half of women participating in the workforce to three quarters of women participating in the workforce in just one generation. That's a huge change.

Italy is another really good example in the piece that we talk about. The workforce in the last two or three decades all will be additions to the workforce have been women joining. Had it been without those women then the workforce would have been flat or even shrunk over that period of time.

Allison Nathan: So if we think about what's driving that massive increase in participation -- and I agree with you; I mean, those numbers are absolutely stunning -- and we take the case of Japan, for example, you know, what's really driven that? Has it been government policy? Has it been cultural changes? What do you attribute that increase to?

Sharon Bell: So for Japan -- and I think, you know, you alluded to Kathy Matsui's note from 25 years ago -- she noticed then how underrepresented women were in the workforce, and I think that therefore policy and culture really needed to change. And if I look at the last 25 years, you've had huge numbers of policy changes.

In 2009, for example, shorter working hours were made obligatory in most professions because it was a huge long-hours working culture in Japan for men in particular, and that made it very, very difficult for women to join the workforce. Men couldn't really share in home responsibilities, for example.

Also, in the last ten years, there's been massive efforts.

Policies to raise childcare benefits, for example. Free preschool education for three to five year olds, which is essential if women want to go back to work. The upper limit on overtime hours has been established and to try again to reduce Japan's long-hours cultures. And then also companies have had to disclose things like their female employee ratio, their pay gaps. We've actually had some similar requirements in the UK, too. And then finally, this year there are tax benefits for companies that score really highly on the advancement of women. So, yes, huge policy changes in Japan in particular.

Allison Nathan: And so when you go to the tax policy, you're really hitting companies on their bottom line.

Sharon Bell: Absolutely, yeah.

Allison Nathan: So that's what really motivates change. But as you already mentioned, these types of changes and dramatic increases in labor force participation from women and by women go far beyond Japan. You mentioned Italy as an example. Talk to us about some of the global trends you are seeing beyond that dramatic increase in the handful of countries that you mentioned.

Sharon Bell: So generally speaking, we are seeing an increase in female participation everywhere. It's been more dramatic, I would say, in developed markets and emerging markets. So in emerging markets, you have seen it rise in the last 25-30 years, but it's been quite small. And emerging markets generally have lower female participation than in developed markets.

In developed markets, it's been most dramatic in Japan, but it's also been quite large in places like Germany, the UK. In fact, Europe, having been behind the US, has overtaken the US in terms of female labor force participation the last 20 or 30 years.

Allison Nathan: And in fact, what you found, which I thought was incredibly striking, is that female participation in the US has actually basically flatlined while it's grown dramatically in other developed countries. What do you attribute that to?

Sharon Bell: Yeah, I think partly it's starting point, if we're being fair to the US. If we go back 20 or 30 years ago, female participation in places like Spain and Italy was

really very low indeed, and in the US it was always higher. So partly it's starting point, and the US was already at a point where female labor force participation was quite high even a generation ago.

But I would say now there are several economies that have not just caught up with the US, but they have overtaken the US in terms of female labor force participation.

Germany, UK, and then Japan are all good examples of that. I think what's been the differences? I think family-friendly policies or lack thereof in the US has been the big issue, if I'm being honest. So countries doing best have more generous parental leave, and they have subsidized and built collective childcare. Those are the things that in particular drive our higher female labor force participation.

Having said all of that, I do think we need to be careful about easy comparisons. The propensity to work for German women is now higher than in the US, but 50% of German women work part time; whereas, only a quarter of US women work part time. So this can be very, very different if you look at it, say, at just at the work hours.

Allison Nathan: Oh, interesting point. So part time

versus full time, meaning that, if you actually compared the total number of hours worked by women in these various countries, the numbers might look somewhat differ.

Sharon Bell: Yes, I agree with that. So part-time work is lower for both men and women in the US than it is in, say, Germany or the Netherlands or other countries in Europe. So when we say that women are participating in the workforce within a higher ratio in Europe, that's great. Many of them are doing so part time. That's absolutely great, too, but it does mean that for US women they may be working, in aggregate, longer hours. So I don't want to imply by lower participation that they are contributing less to the workforce because that may not be the case.

Allison Nathan: And the family-friendly policies you mentioned, or lack thereof I should say, really came into sharp focus during the pandemic. What impact, if any, has the pandemic has on female labor force participation then and now?

Sharon Bell: Yeah, so I think I remember at the time the pandemic hit being told that this would impact women

much more than men. More negatively than men. Largely because women still do the majority of caring duties required for children, for elder care, etc. And that's definitely true. And they would have to spend more time on this if other services weren't available during the pandemic.

Also, the other factor I think affecting women a bit more in the pandemic was that service sector jobs were very badly hit, and women are much more likely to be doing service sector jobs than men. So I think those two reasons, people have often seen the pandemic as something that would more negatively impact women. I'm not sure, though, if that really is the case. As you said, a lot of the impacts of the pandemic have anyway receded.

If you look at, say, in the US, the participation of women has risen back up to where it was pre-pandemic; whereas, for men, since the pandemic, it still hasn't quite caught up. So we see a similar trend in the UK as well. Also, the pandemic has sped up technological progress on things like remote working or hybrid working, etc., which tends to benefit women as well, that greater flexibility for everybody really.

And then the final point is, of course, as we unlocked, everyone wanted to take advantage of services again, which is the area that women are more likely to work in. So I don't think there's been a sort of longer term negative impact, no.

Allison Nathan: Interesting. So participation is one thing, but pay is another. So where are we in terms of the gender pay gap? Have we seen that shrink at all?

Sharon Bell: Yeah, the pay gap is definitely also an area of progress that we've made. So women are participating in greater numbers, and they are being rewarded a bit better for it as well, which is great to see. In the last 20 years, it's fallen in basically almost every OECD country.

In Japan, for example -- let's start with that one again because it's been one of the most dramatic -- it's fallen from 30% in the last 20 years ago to 21% now. That's a really big shift, again, in a generation or less than a generation.

In the US, hmm. Progress again here has been a bit slower

partly because its pay gap was lower than in Japan at the outset, but it's gone from sort of 20% to 17%, which many people would be quite disappointed at that progress over a 20-year time horizon.

France has seen its pay gap halved, though, from about 15% or slightly more to sort of high single digits. I do feel that, while participation has been very good and pay gaps have come down, I would have liked to have seen pay gaps come down further and faster than they have in this last 20 years. There's still a long way to go. They're still double digit, for example, in Japan, in Korea, in Canada, in the US, in the UK, in Switzerland, in Germany, and I can mention many other countries where there are still double-digit pay gaps to men. So still a long way to go.

Allison Nathan: Well, just to clarify that, though, when you talk about these pay gap numbers, are they for like-for-like jobs? Or are we looking at the aggregate pay of women where differences in occupation pay could factor in?

Sharon Bell: Yeah, so this is not taking into account differences in what women and men do. And women and

men do do slightly different jobs. They have a higher propensity to work in different sectors, as we talked about before, and different types of jobs. They may have different qualifications, etc. They may have different working hours.

The Eurostat looked at for euro area that the pay gap and tried to disaggregate it and say what is it that can be explained by all those factors? They found about a third of the pay gap could be explained by all the factors that you talk about, but there was a good chunk that was still there that really couldn't be completely explained by all of those factors. But, you know, they do explain some of it, and I think that, you know, there's also a case for getting more women into, say, higher paying areas like technology, finance, for example, where that will help to bring down the pay gap as well.

Allison Nathan: And on that front, you actually wrote a whole section of the report entitled "Leadership: The Disappearing Women." So what are we seeing in terms of senior representation of women, and in particular at the CEO level or beyond?

Sharon Bell: I think absolutely it's another case of it's

improved. So at the time of the global financial crisis, which was back in 2008, if you look at the CEOs for the S&P 500 and the Stock 600, the biggest listed companies in Europe, only 1-2% of all those CEOs were women. Turn that on its head because I often like to turn it on its head so you realize even more the sort of dramatic nature of how dominant men were as managers at these companies. 98-99% of all CEOs, the largest listed companies globally, were men at the time. And that's not long ago at all.

Now, we've made a lot of progress since then. So if I look at the S&P 500, 9% of CEOs are men. And someone said to me, "So that's about 45 --" sorry. I should say that again, Allison. I'm so used to saying the word "men" and "CEO" together, unfortunately.

Nine percent of CEOs in the S&P 500 are women, and someone mentioned to me that means 45. And I said, yeah, that would fill a nice room. You could fill a nice room with CEOs of S&P 500 companies that are women.

Allison Nathan: But not a very big room. Not a very big room, honestly.

Sharon Bell: True, true. Now, if you tried to fill the room with men, anyway, if it was the same size room, they'd be very crammed in there, wouldn't they? So it's still the case that men are extremely dominant when it comes to the leadership of our largest listed public companies, of course. And that's not just true in the US. For the STOXX 600, actually, it's made slightly less progress. Seven percent of CEOs are women for the STOXX 600. And only 1% for the large listed Japanese companies of CEOs are women, so we still have a long way to go.

Allison Nathan: And are you seeing the concentration of those gains in certain sectors versus others?

Sharon Bell: Yes. You have got fewer women CEOs in sectors like technology, unfortunately, which is a sector where there's been so much focus -- higher valuations, better growth, often better pay, etc. Also, I would say, that if I looked not just at CEOs but if I looked at board positions in general, so if I look at people on the board, you're much more likely on the board, if you're a woman, to be, say, the head of human resources than you are to be the head of technology or R&D. So people have very siloed roles within companies as well. So progress, absolutely,

but plenty more to go.

Allison Nathan: So Sharon, you've looked at the evolution of women in the workforce over the last couple of decades. If we have this conversation 25 years from now, what do you think we'll be saying about women in the workforce? How do you think the picture will have changed?

Sharon Bell: So I love this question. It's a great question. I think of course it's a difficult one to answer because there are so many variables with all of this. But what we are seeing now actually does give us some clues about what you're likely to see in the next quarter century. Women are graduating with higher frequency than men in most countries in the developed world now. They're getting more degrees, in other words. Not necessarily more STEM degrees, more technology degrees, more computing degrees, and more maths degrees, but they are generally getting more degrees. And that wasn't true a generation ago. So that's a big change. And those women have only recently been entering the workforce. And hopefully those women will still be in the workforce in 25 years' time and leading the workforce as well. So that gives us a really

good indication. Women are coming through with excellent qualifications.

Also, second point, jobs are becoming a little less siloed. There are more younger women in construction now, for example, than there used to be a generation ago. They're still quite siloed, as we discussed before, but less than they were. And I would hope that in 25 years, again, you're getting more men doing what would typically be seen a generation ago as women's jobs and vice versa.

Pay gaps for younger women are lower than for older women. And again, I think those younger women will want those lower pay gaps and probably even lower, the pay gap to disappear as they move up through the workforce. That sets very different expectations.

I also think men as well, they want to enjoy time caring for their young families, too. They increasingly want to take parental leave, and it's really up to society to normalize this and expect this. And men often don't have the same opportunities as women. So more equal opportunities for men and women to take on those caring responsibilities and for society to accept that more generally. I would like

to see progress there.

And the final point I would make is, as we see more and more women in the highest roles in society, in academia and politics and business -- I mentioned that point about CEOs. We're getting closer and closer to 1 in 10 CEOs now being a woman. So role models make a difference, and I think we've had that change in the last 20 to 30 years.

And women starting to get to those top positions will beget more change in the future because they are the role models for the women who will be coming through in 20 or 25 years' time.

And everything I've just mentioned is largely without policymakers' help. So policy can give it an extra kick beyond this as well.

Allison Nathan: We have a lot to look forward to then, Sharon. I'm excited for that future. Thanks so much for joining us again.

Sharon Bell: Thank you.

Allison Nathan: Let's hear some more about the specific

ideas for empowering female entrepreneurs with Asahi Pompey. Asahi is Goldman Sachs's global head of Corporate Engagement and president of the Goldman Sachs Foundation. She joins me in our New York studio. Asahi, welcome back to the program. Good to see you.

Asahi Pompey: It's always great to be with you, Allison.

Allison Nathan: So we just spoke with Sharon Bell in Goldman Sachs Research about her latest report, which looks at the progress and economic implications of women in the workforce over the last 25 years, but you have a really interesting seat at Goldman Sachs, leading the firm's initiatives to help women entrepreneurs. Talk to us a little bit about what you do.

Asahi Pompey: So I am the president of the Goldman Sachs Foundation, and I run all of our philanthropic programs, amazing programs like 10,000 Women, 10,000 Small Businesses, One Million Black Women, our community engagement work, and basically how is Goldman Sachs showing up in communities around the globe. That's on my desk, and it's in an incredible, incredible challenge and I'm humbled to do the work that I

do.

Allison Nathan: And you've had a long career at Goldman, though. Before that, you were working in compliance for our --

Asahi Pompey: I am a recovering lawyer, yes. So I've been at Goldman 18 years. This is my sixth year in this seat, heading up the foundation and all of our community engagement work.

Allison Nathan: So given what you do every day, what are you observing in terms of the role that women entrepreneurs and small business owners are playing in the economy?

Asahi Pompey: Look, women and small business owners are the hidden engines of job creation, growth, and innovation. And Allison, let me share with you a few stats. One in three companies globally is run by a woman. Twenty-five percent of high-growth companies worldwide, run by women. And one in six women say they intend to open a business. So as you cast your eyes further out, we're going to see more women-led businesses.

But I have to say, that's not the whole story. What we see is that, by and large, women entrepreneurs contribute to their local economy. If you take the data from our 10,000 Women program, over 90% of the graduates of our program say they mentor women in their communities. So if you think about ripple effect, the blast radius of a single woman entrepreneur, it's rather substantial.

Allison Nathan: Those statistics are actually shocking to me. I would have thought they would have been much lower than what they are, but there are still a lot of obstacles that women face as they are seeking to grow their businesses today. Talk to us a little bit about those obstacles.

Asahi Pompey: You know, it's a bit of a mixed story because women face significant challenges, and those challenges differ depending on if it's a developed market or a developing market. But let me take you through some of the challenges that we still see that really make that data quite stubborn.

One is access to capital, right? Women have trouble

getting the funds they need to scale their business and grow their business. There is a \$1.7 trillion gender credit gap; meaning, men are getting a disproportionate amount of the loans, and women are not.

The second thing that we're seeing is access to customers. One of the joys of my day job is that I get to talk to entrepreneurs across the globe. And one of their favorite stories is always around that big contract that they get that really set them on their way. Women have smaller business networks, so that access to not only capital but access to customers is another challenge that they face.

A third one that I put out there -- there are a number of them -- is mentorship. Now, in developed markets, we frequently hear women are over mentored and under capitalized. Well, I would posit that that is a very sort of developed country perspective. If you cast your eyes more broadly, there is a significant lack of mentorship for women entrepreneurs, which leads to stagnation and leads to them not being able to grow.

And the last one I'd underscore, which we see across the world, it does not discriminate, if you will, between

developed and developing market, is women work a second shift. They're working the night shift. They're working the weekend shift in terms of their unpaid labor. And that is childcare, elder care, education. So imagine the burden on that woman entrepreneur. She's trying to scale her business, and she's got all these other hours that are taken up with the other activities of just running a life, running a family. So significant challenges that we see.

Allison Nathan: And this gender pay gap and underrepresentation in business ownership is especially pronounced in Black women. That's what our One Million Black Women research has found. How can we address that?

Asahi Pompey: I think we've got to do three things. One, we've got to increase the mentorship for Black women entrepreneurs. I'll tell you this. We were excited to see that Black women were starting businesses faster than any other demographic in the United States. We also saw that 96% of those businesses are sole entrepreneurs. So in addition to her day job, she is the sole employee of that business with the grit, with the determination to drive it forward.

Well, when we looked a bit deeper, we saw that those businesses have a 97% fail rate.

Allison Nathan: Wow.

Asahi Pompey: And so she has borrowed from her 401(k) if she had one. She's maxed out her credit cards. Her church group has contributed to her business. And three years later, 97% of those businesses had failed.

Now, some people look at that and they see a problem. Goldman Sachs looked at that and we thought we see an opportunity here to be able to turn that tide of those businesses that Black women have started across the United States, inject them with education, access to capital, mentorship, network, and hence One Million Black Women, Black in Business was born. We're in year three, and we're doubling down and scaling that initiative.

Allison Nathan: When we look around the world, several countries are looking at these types of problems and trying to address them. Japan stands out as a country where policy changes have enabled women to become a greater

part of the corporate workforce, and our Womenomics research, as you recall, began with Kathy Matsui in Japan. What policy changes are needed to help women entrepreneurs in the US and beyond?

Asahi Pompey: Well, you're going to have to stop me because there are a number of them that are needed. And I have to say Japan is near and dear to my heart. I went to high school in Japan, in the southern part of Tokyo. [Speaking Japanese] that was the name of my high school that I went to.

Allison Nathan: Wow.

Asahi Pompey: So in terms of policy changes, I think a few. One is great access to education and training. Two, more affordable childcare. Three, parental leave policies being adjusted. Four, as a lawyer, legal barriers that women face to own property, to own a business, to have a license. I mean, those structural, systemic barriers are still in place. And the last one I'd say is plain old discrimination.

Allison Nathan: Where in the world are those legal

obstacles in place? That's fascinating to me.

Asahi Pompey: We see them more in the Middle East. We see them more in Africa, where a woman needs a man to co-sign for her or she may not be able to own property at all. Or in order to get a license, she may need additional signatories and that her signature is not enough.

Allison Nathan: Interesting. And aside from these public policy solutions, which I think we are sort of aware of and the question is when will we see them implemented? When will we see governments take action? But what about the private sector? It seems like there's more ability to be nimble, to be flexible and adaptable and address this problem. What can the private sector do today?

Asahi Pompey: Today, three things very actionable. One is buy from women. Include them in your supply chain, right? Governments can actually reach their goal in terms of targeting women-owned and small businesses. In very many jurisdictions, these rules are on the books, but they don't even come close to being able to hit their goals in terms of giving business to women.

Investing in women-led companies. A third one, which is a little wonky -- my inner nerd is coming out -- but gender disaggregated data is incredibly important because if you have banks saying, "Yes, we lend to women," or, "We lend to small businesses," well, we want to see that broken down between women-led businesses, majority-led businesses across the board that we can really see it. Because once we drill down, we're able to identify where the gaps and the problems are. So gender disaggregated data is very, very important.

And the last thing I'd say is we need targeted policies specifically to help women entrepreneurs. The notion that a rising tide lifts all boats does not happen, right? And so we need policies and we need programs that are specifically targeted to women entrepreneurs and the specific challenges we see.

Allison Nathan: And that's exactly what we are hoping to do with the One Million Black Women initiative and of course our 10,000 Women initiative.

Asahi Pompey: Yes. So we started 10,000 Women, it's pretty incredible because we're now in our 16th year of

10,000 Women. We started with the goal of helping 10,000 women. We now have been able to help over 200,000 women around the globe. Places like India, China, Nigeria, Brazil, Mexico, with infusing them with the educational tools to understand their financials, understand a growth strategy, which is kind of the secret sauce of our program. I'm saying it here with you, Allison, what the secret sauce of the program is.

Everyone who graduates has to have a growth plan because we want you to be able to scale that business. And that growth plan you need to be able to put it into action as soon as the course is over. So we've been able to see tremendous growth on the back of these businesses. And of course One Million Black Women, Black in Business, our initiative of the last three years, that's specifically similar. Women have to have a growth plan that they can put in place, access capital, and then move on to grow their business.

Allison Nathan: Which is all amazing work. And I've had the privilege to meet some of these women who are absolutely inspiring on every level. But I have to ask you the question, Asahi, before we wrap this up, which is

clearly Goldman Sachs has been in focus because of its underrepresentation of senior women at the firm. So what is Goldman Sachs doing to address that?

Asahi Pompey: Look, diversity, we cast the gaze internally unequivocally. And diversity in our senior ranks and across the board is a key business priority for this firm. I would note that our partner and MD promote class had the largest number of women ever, 29% as it relates to our partner MD class and 31% as it relates to our executive MD class.

But look, we've done a number of things. One is we've set aspirational goals. Two, we're tracking against those goals. And three, we're being transparent around where we need to do more.

Allison Nathan: Great. Thank you so much, Asahi. It's always a pleasure to speak with you.

Asahi Pompey: Likewise. It's wonderful to be with you, Allison.

Allison Nathan: This episode of Goldman Sachs

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