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**MCKINSEY GLOBAL INSTITUTE**

# **THE POWER OF PARITY: ADVANCING WOMEN'S EQUALITY IN THE UNITED STATES**

**APRIL 2016**

**EXECUTIVE BRIEFING**



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# MCKINSEY GLOBAL INSTITUTE

In the 25 years since its founding, the McKinsey Global Institute (MGI) has sought to develop a deeper understanding of the evolving global economy. As the business and economics research arm of McKinsey & Company, MGI aims to provide leaders in the commercial, public, and social sectors with the facts and insights on which to base management and policy decisions. The Lauder Institute at the University of Pennsylvania ranked MGI the world's number-one private-sector think tank in its 2015 Global Think Tank Index.

MGI research combines the disciplines of economics and management, employing the analytical tools of economics with the insights of business leaders. Our “micro-to-macro” methodology examines microeconomic industry trends to better understand the broad macroeconomic forces affecting business strategy and public policy. MGI's in-depth reports have covered more than 20 countries and 30 industries.

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## **MCKINSEY & COMPANY: GENDER AND DIVERSITY**

Over the past decade, McKinsey has made a sustained commitment to researching and writing about gender and diversity. Since 2007, McKinsey's Women Matter research has explored the role women play in workplaces around the world. In the fall of 2015, McKinsey released a research report with LeanIn.Org, *Women in the Workplace*, as well as global research from MGI covering 95 countries on the economic benefits of advancing women's equality, *The power of parity: How advancing women's equality can add \$12 trillion to global growth*. It is on MGI's global research on the power of parity that this US executive briefing is based.

# THE POWER OF PARITY: ADVANCING WOMEN'S EQUALITY IN THE UNITED STATES

APRIL 2016

## EXECUTIVE BRIEFING



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# Key messages


**\$2.1 trillion** in additional GDP in 2025 if all US states match the states with the fastest progress toward gender parity in work over the past decade—a best-in-class scenario. This is 10 percent higher GDP, or a 3.1 percent growth rate through 2025, instead of the 2.3 percent growth rate in the business-as-usual scenario.

**40/30/30.** About 40 percent of the \$2.1 trillion GDP opportunity comes from a higher female labor-force participation rate, 30 percent from narrowing the gap between men and women who work part time and full time, and 30 percent from changing the mix of sectors in which women work to boost their presence in more productive ones.

An additional **6.4 million jobs** would be required to secure the additional GDP. Jobs would be created at a rate of 1.0 percent a year in the period to 2025, compared with 0.6 percent in the business-as-usual scenario.

**GDP increase for all states.** Every US state can achieve at least 5 percent higher GDP in 2025 by matching best-in-class improvement rates between women and men in work, and half (25 states) can achieve 10 percent or more.





**Societal gender gaps** are barriers to women's workforce participation and must be addressed to capture more of the GDP opportunity. MGI research on gender inequality in 95 countries found virtually no countries with both high gender equality in society and low gender equality in work. In the United States, unequal sharing of unpaid care work is negatively correlated with women's workforce participation and their ability to rise to leadership positions. Teenage pregnancy is negatively correlated with gender parity in professional and technical jobs, and gender parity in higher education is linked with more equality in labor-force participation and in professional and technical jobs.

**6 US impact zones.** Gender inequality is high or extremely high on six out of ten gender equality indicators: leadership and managerial positions, unpaid care work, single mothers, teenage pregnancy, political representation, and violence against women. These six should be prioritized in all states as "impact zones."

**Impact from targeted interventions.**

In four of the six impact zones, ten states account for more than half of all women affected.

**Stakeholder collaboration.** Success will depend on both individual action and collaboration among private-sector players, governments, and non-governmental organizations. Important enablers are improved data collection and impact evaluation.





### Best-in-class scenario

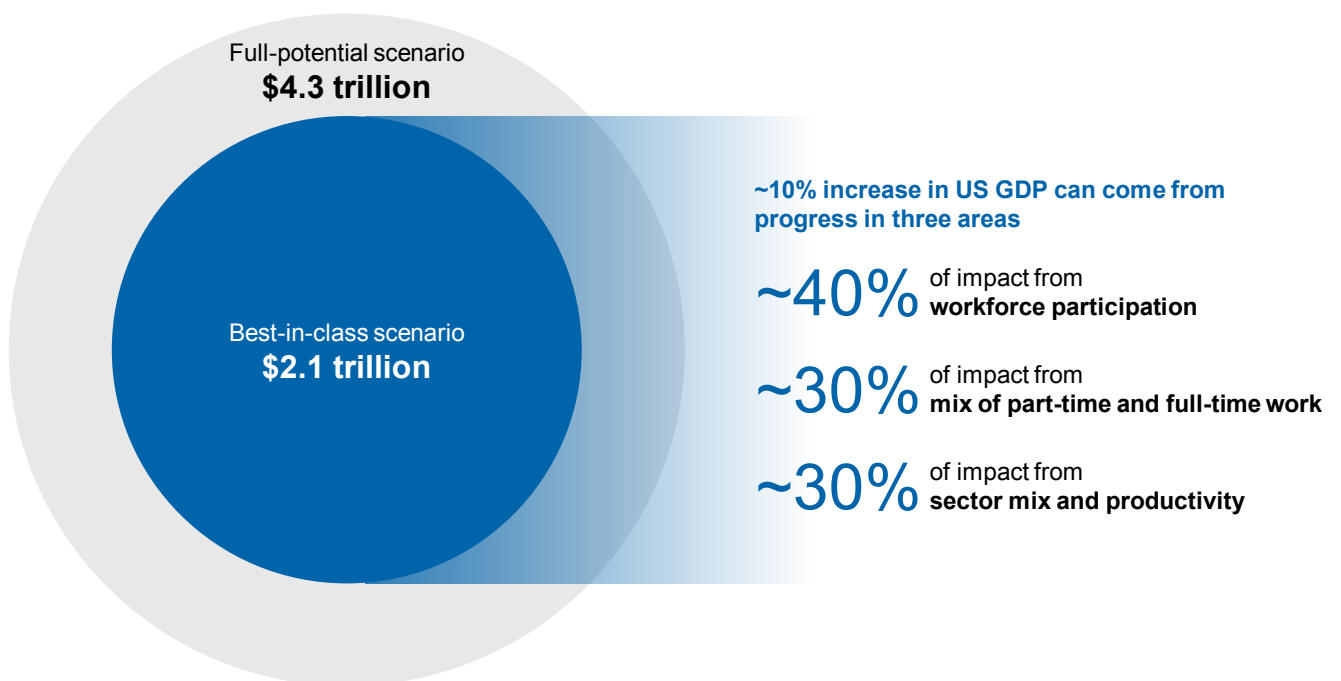
In a best-in-class scenario, an additional annual \$2.1 trillion of GDP could be achieved in 2025, 10 percent higher than the business-as-usual GDP in 2025. This corresponds to a GDP growth rate of 3.1 percent through 2025, instead of the 2.3 percent growth rate in the business-as-usual scenario. On average, roughly 40 percent of the GDP impact comes from increasing women's participation in the labor force. In this scenario, the United States would keep the labor-force participation rate of women of prime working age (25 to 54) constant, instead of a decline from 74 percent in 2014 to 72 percent in 2025, as projected by the US Bureau of Labor Statistics (BLS). In line with historical trends, we do not expect higher female participation to drive down male participation significantly. Narrowing the gap between men and women on the mix of part-time and full-time work contributes around 30 percent of the GDP impact.

Today, women in the United States do 42 percent of full-time jobs and 64 percent of part-time jobs. The last approximately 30 percent would come from changing the mix of sectors in which women work to increase their presence in more productive ones. Today, women tend to be more highly represented in lower productivity sectors (as measured by GDP per worker) such as education and health-care services.

The best-in-class scenario assumes that all states match the rate of improvement of the fastest-improving large state over the past decade on each of these three drivers. In the case of labor-force participation among women of prime working age, for instance, all states would match New York's historical rate of improvement. This scenario implies an annual additional GDP growth rate of 0.8 percent per year.

### Exhibit 1

#### Tackling gender inequality in the United States can add between \$2.1 trillion and \$4.3 trillion to GDP in 2025



SOURCE: McKinsey Global Institute analysis

## 6.4 million more jobs

In MGI's best-in-class scenario, 6.4 million more jobs would be created above the ten million that the BLS currently projects for 2025. That would require a job creation rate of 1.0 percent a year to 2025, compared with 0.6 percent in the business-as-usual scenario. We project that roughly 60 percent of these additional jobs will need to come from three high-productivity sectors: professional and business services, information, and manufacturing.

Achieving the additional GDP potential in the best-in-class scenario would require investment to support the additional workers who would join the labor force as women's participation rises—investment to create jobs and boost productivity. In the best-in-class scenario, we estimate that roughly \$475 billion of incremental capital-stock investment will be required by 2025, about 9 percent higher than in the business-as-usual scenario. The required investment, in areas including infrastructure, innovation, and talent development, would come from private-sector companies looking to grow and from state and local governments.

On the demand side, one key to unlocking job creation and productivity potential is ensuring that the United States is positioned to be a global hub for knowledge-intensive industries such as aerospace, automobiles,

and medical devices—all sectors with more potential for higher-productivity growth. Building infrastructure, investing more in R&D and emerging technologies, improving the US business environment through tax and regulatory reform, and aggressively pursuing new export markets as consumption grows in developing countries can help. Manufacturing industries located near markets and supply chains can provide long-term employment and skill pathways for millions of workers. Technology investment can spur demand for high-productivity knowledge-intensive jobs.

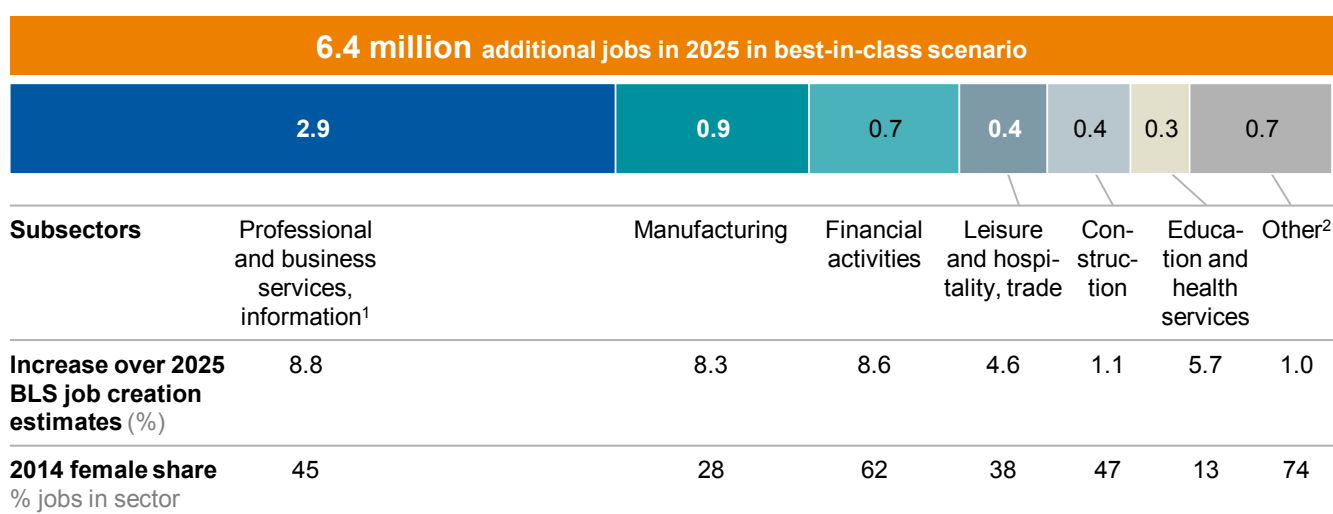
On the supply side, skill building will be key for both those in the workforce and those not currently working to ensure that jobs are filled—and that more of them go to women. It is essential to lower or remove several other supply-side barriers to increasing women's labor-force participation. Finally, the supply of skills and demand for jobs must be matched better and faster. Online talent marketplaces like Freelancer.com, TaskRabbit, and Handy can help. A recent MGI study found that such platforms can help put up to four million adults to work. A 2014 *New York Times* and CBS News poll of 1,002 adults found that three-quarters of self-identified homemakers, or stay-at-home mothers, would be likely to return to work if they had flexible options.

### Exhibit 2

#### The \$2.1 trillion potential translates into 6.4 million additional jobs in the best-in-class scenario

##### Share of best-in-class incremental jobs, 2025

Million jobs



<sup>1</sup> Includes agriculture, mining, other services, transport, and utilities.

<sup>2</sup> Includes technology and high-tech sectors.

NOTE: No incremental jobs projected in government sector. Numbers may not sum due to rounding.

SOURCE: BLS; McKinsey Global Institute analysis



## The economic opportunity

The economic opportunity from tackling gender inequality varies from state to state, but every state has an opportunity to increase its GDP by at least 5 percent based on matching the historical rate of improvement of other states over the last decade (the best-in-class scenario). Twenty-five of the 50 US states could add more than 10 percent to their GDP in this scenario. States vary in the share of GDP improvement driven by each of the three levers examined. The contribution to the GDP opportunity from increasing women’s labor-force participation varies from 10 percent to 65 percent of GDP. The contribution from narrowing the gap between

men and women on part-time and full-time work varies from 15 percent to 45 percent. And the contribution from changing the sector mix of women’s employment ranges from 10 percent to 50 percent.

In the best-in-class scenario, 55 percent of the additional GDP potential would come from the ten largest US states by GDP and population: California, Texas, New York, Florida, North Carolina, Massachusetts, Pennsylvania, Virginia, Georgia, and New Jersey (in order of absolute GDP impact in dollars).

### Exhibit 3

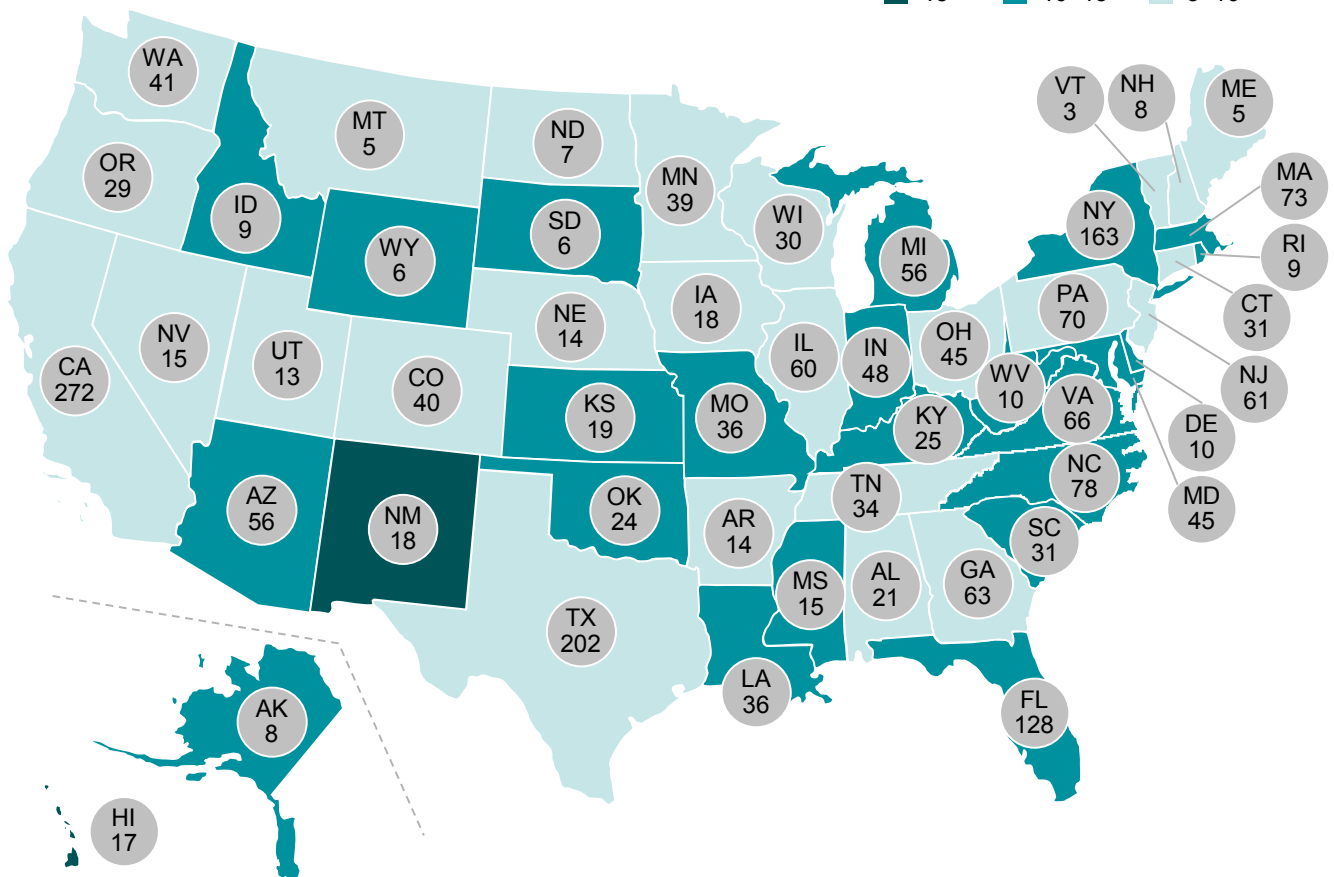
#### All states can add 5 percent or more to GDP by increasing women’s labor-force participation; 25 states could gain 10 percent or more

Incremental best-in-class GDP value to 2025 relative to business-as-usual scenario

● \$ billion

% incremental best-in-class value in 2025 relative to business-as-usual scenario

■ 15+ ■ 10–15 ■ 5–10



SOURCE: McKinsey Global Institute analysis

## Correlation between gender equality in society and gender equality in work

MGI's global research on gender equality in 95 countries found that virtually none had both high equality on social indicators and low equality in the workplace. This correlation between gender equality in society and gender equality in work suggests that the barriers that hold women back in society may be hindering them from participating more fully in the workplace.

In the United States, there are evident links between certain indicators of gender inequality in society and gender inequality in work. For instance, the amount

and unequal sharing of unpaid work limits women's labor-force participation as well as their ability to rise to leading positions in companies. Gender parity in higher education is linked with more equality in labor-force participation rates and in professional and technical jobs, while high teenage pregnancy rates are associated with the lower representation of women in professional and technical jobs. Violence against women, in addition to physical and psychological damage, hurts women's economic potential.

### Exhibit 4

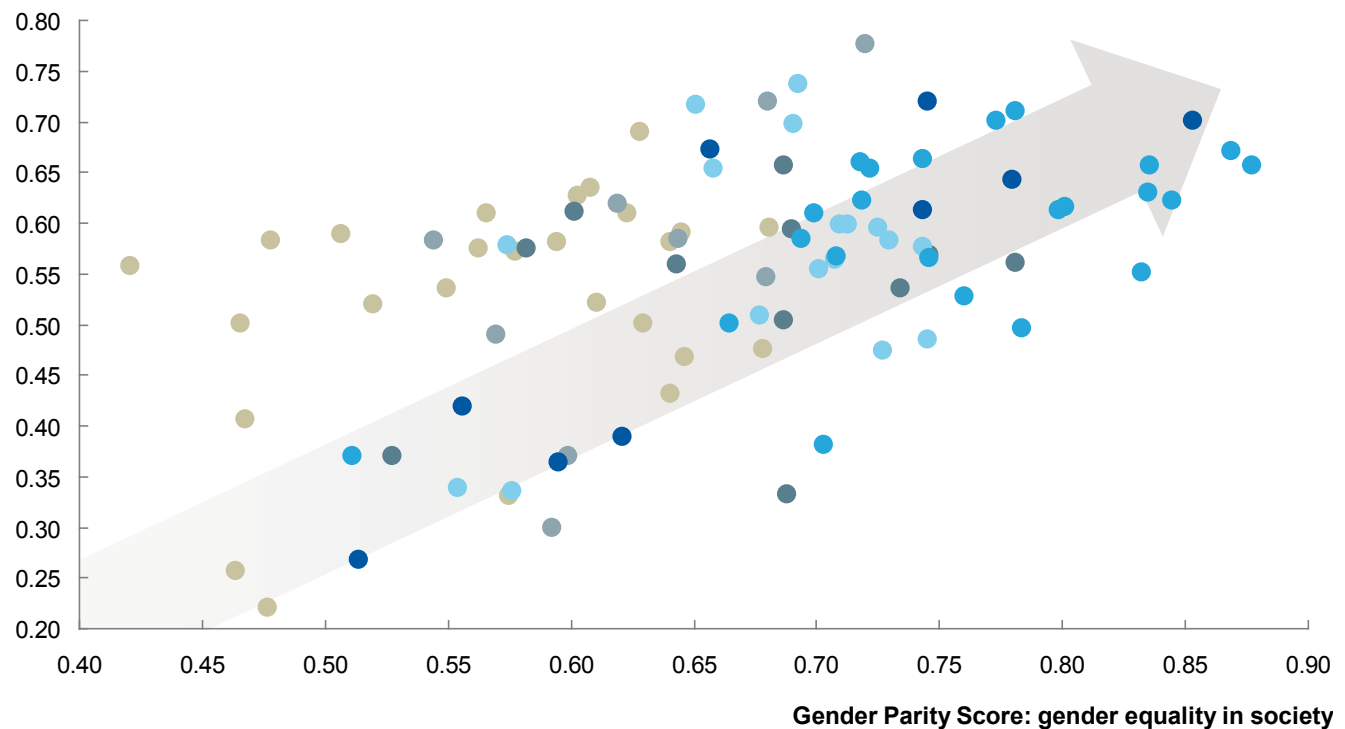
#### Gender equality in society is linked with gender equality in work across 95 countries

##### Global per capita GDP levels

\$, 2014 purchasing power parity international

● <5,000 ● 5,000–10,000 ● 10,000–15,000 ● 15,000–25,000 ● 25,000–50,000 ● >50,000

##### Gender Parity Score: gender equality in work



SOURCE: McKinsey Global Institute analysis

## US inequality high on six indicators

Despite being a highly developed country, the United States still has high or extremely high inequality on six of the ten indicators: leadership and managerial positions,

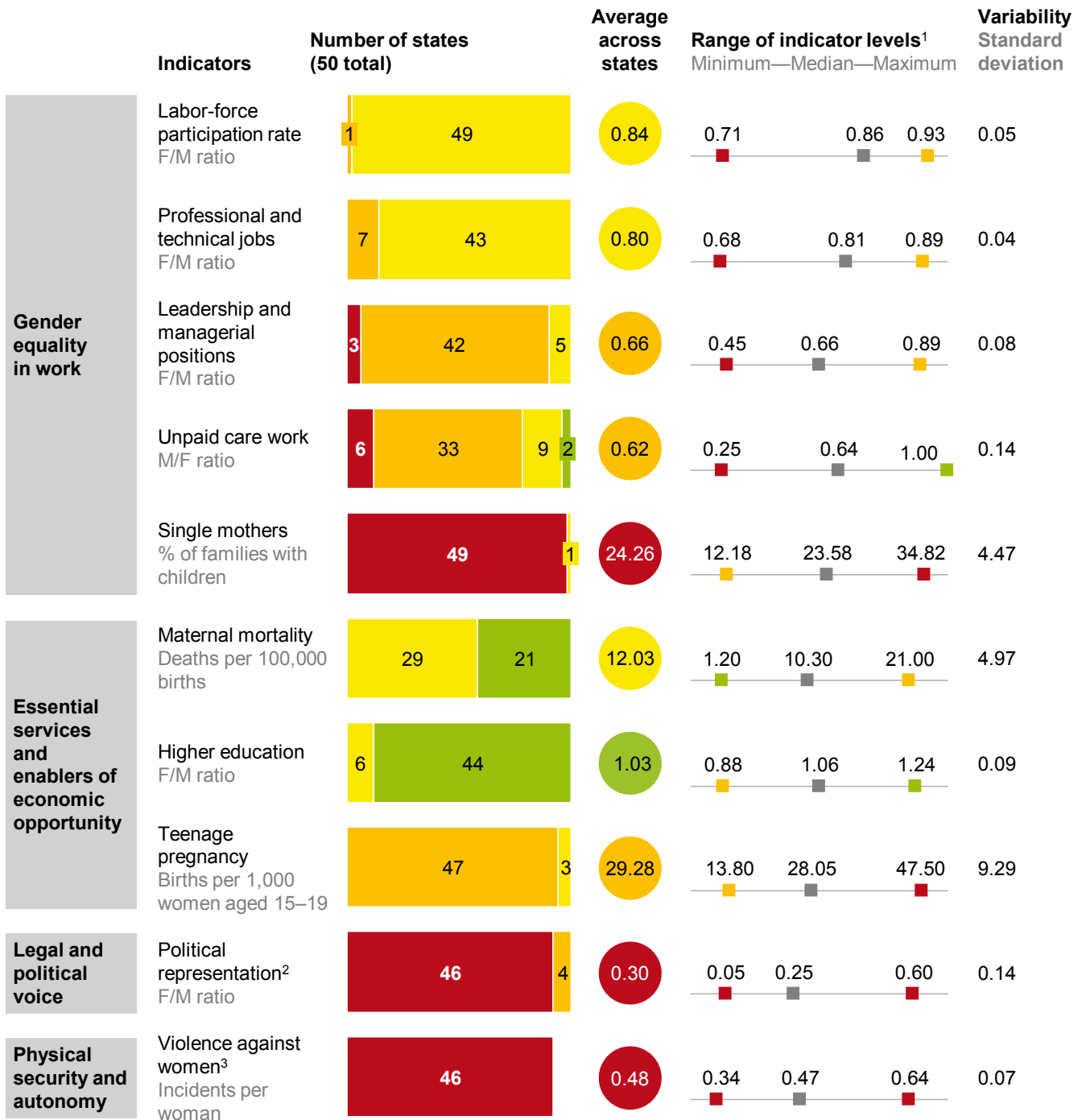
unpaid care work, single mothers, teenage pregnancy, political representation, and violence against women.

### Exhibit 5

#### The United States has high or extremely high inequality on six out of ten indicators

Level of gender inequality or distance from ideal state

Low Medium High Extremely high



1 Not to scale.

2 Composite of participation in the House of Representatives, state legislatures, and statewide elective offices.

3 Measures all sexual violence against a woman by any perpetrator. Total omits Hawaii, Mississippi, New Jersey, and South Dakota, which do not have state-level data on rape.

NOTE: State-level averages based on 2014 female population. Numbers may not sum due to rounding.

SOURCE: BLS; ATUS; NISVS; CAWP; McKinsey Global Institute analysis

## The State Parity Score

The ten indicators were used to calculate a State Parity Score (SPS) for each state, similar to the Global Parity Score or GPS used in MGI's 2015 global report on gender inequality, *The power of parity: How advancing women's equality can add \$12 trillion to global growth*. The SPS weights each indicator equally and calculates an aggregate measure of how close each state is to gender

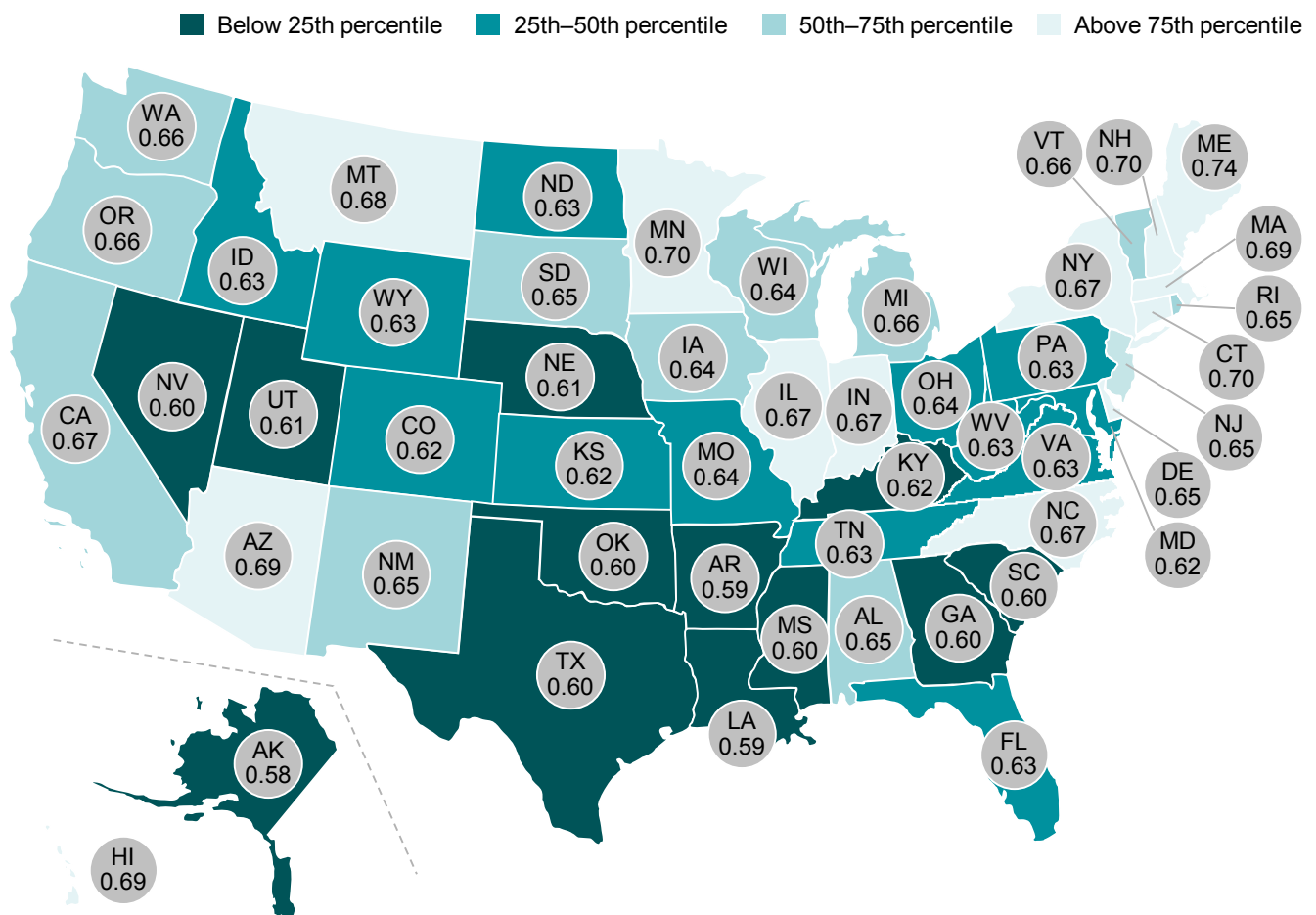
parity. An SPS of 1.00 indicates perfect gender parity, and an SPS of 0.00 indicates no gender parity.

SPS results range from 0.58 to 0.74. States in the Northeast have higher scores overall than states in the rest of the country, and states in the South on average have lower scores than the rest of the country. All states have an opportunity to improve gender equality.

### Exhibit 6

#### All US states have high gender equality, but they vary in distance from an ideal state

The State Parity Score (SPS) shows how states perform relative to each other on gender parity



SOURCE: McKinsey Global Institute analysis



## PRIORITIZING THE SIX “IMPACT ZONES”

Policy makers, businesses, and other stakeholders should consider prioritizing the six “impact zones”—indicators with high or extremely high inequality across US states. In four of the six impact zones (unpaid care work, leadership and managerial positions, single mothers, and teenage pregnancy), interventions in the ten most affected states will improve equality for more than 50 percent of the US women affected by these types of gender inequality. Southern states make up the majority of the bottom quartile on three indicators—single mothers, teenage pregnancy, and political representation—suggesting that action on these impact zones should be a priority in the region.

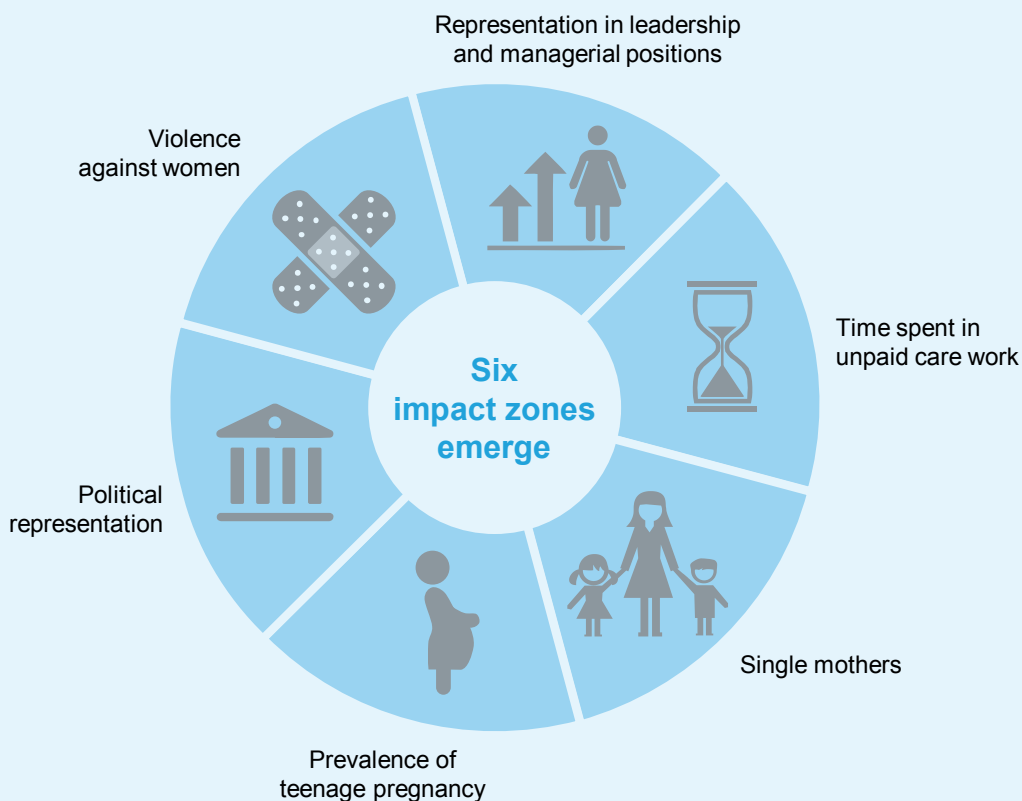
Better data are needed so that policy makers, businesses, and other stakeholders know where to prioritize action. But there also needs to be improved tracking and evaluation of programs. Another essential requirement is collaboration between the private sector, government, and non-profit organizations. Corporations have the clout not only to drive change within their own organizations,

but also to inspire action and motivate change in the broader community through financial support and public advocacy and by providing the human resources and capital required to kick-start a movement.

To achieve change, help capture the economic opportunity at stake, and remedy societal inequalities, organizations should consider what unique skills and competitive advantages they have in tackling gender inequality. Organizations can drive internal change, forge partnerships within their sector, or become part of a broader coalition for change in their community and society at large. In each of the six impact zones, there are a number of success stories to build upon. There are examples of impact within and among the private sector, governments, and non-governmental organizations. What follows are brief summaries of successes found through publicly available sources. These examples are by no means comprehensive—their intention is to illustrate different approaches to driving impact.

### Exhibit 7

#### Six impact zones corresponding to indicators on which the United States has high or extremely high gender inequality should be prioritized



SOURCE: McKinsey Global Institute analysis



## Representation in management positions

**Companies need a comprehensive approach to removing barriers to women’s advancement, including flexible employment and leave policies, transparency in hiring and promotion, and strong women’s networks.**

One-third of the Lockheed Martin board is female, a 20 percent increase since 2009 that reflects the company’s decision to be proactive through its “women accelerating tomorrow” initiative. The initiative was aimed at attracting, retaining, and promoting female talent through inclusion workshops, training on unconscious bias, mentorship programs, and women’s networks within the company.

Zurich Insurance Group set up a Women’s Initiative Network to highlight pertinent issues and provide networks for women within the company. Today, women at Zurich are earning one-third of all top salaries. The company also provides help with child care.



## Time spent in unpaid care work

**Public- and private-sector actors need to help reduce unpaid care work and share it more equitably to enable women to work more in the market economy and progress into leadership positions. Federal and state legislation and company practices are important tools to accelerate this change.**

In 2002, California became the first US state to mandate parental leave, a scheme funded through a 1.2 percent payroll deduction. Ninety-one percent of companies said that this scheme had either affected them neutrally or boosted profits (Applebaum and Milkman, 2011). In March 2016, the state of New York joined California, New Jersey, Rhode Island, and the District of Columbia in mandating paid parental leave.

After Google increased paid maternity leave in 2007 from 12 to 18 weeks (and increased paid paternity leave from seven to 12 weeks), it achieved a 50 percent reduction in the rate at which new mothers left the company.



## Single mothers

**Capability-building programs are needed to help some low-income single mothers gain better jobs.**

The Jeremiah Program offers skills training and child-care options to low-income single mothers seeking paid work. Recent participants have nearly doubled their employment rate and wages. One independent consultancy estimated that the program achieves a 400 percent return on its \$25,000 investment per mother and child.

OSI Creative, a provider of supply-chain solutions, launched an initiative called Mothers and Jobs to provide employment and support for single mothers. OSI offers more flexible working arrangements to help single mothers raise their families and provides financial support to local non-profits that refer single mothers to staffing agencies. OSI currently employs almost two dozen single mothers in its Memphis plant and plans to expand the initiative to other operations.



## Prevalence of teenage pregnancy

**Proven interventions to reduce teenage pregnancy include education, access to contraceptives, and media campaigns that shape attitudes and behaviors.**

The National Campaign to Prevent Teen and Unplanned Pregnancy collaborates with popular television shows including *Teen Mom* and *16 and Pregnant* to embed messages about teenage pregnancy into programming. A National Bureau of Economic Research study credited the tweets and searches resulting from *16 and Pregnant* as contributing to a 5.7 percent decline in teen births in 18 months—one-third of the overall decline in such births in the United States.

Colorado's family-planning initiative provided long-acting reversible contraceptives at low or no cost in clinics across the state. Teen birth rates declined by 42 percent—more rapidly than in any other state. Estimated savings on birth-related Medicaid costs were \$111 million.



## Political representation

**Providing training and help with fundraising to women preparing to run for office can help address the unequal representation in US political leadership roles. Roughly half of the women currently in political positions have been through some type of training, like the Women's Campaign School at Yale University, prior to their election.**

Ready to Run®, an initiative of the Center for American Women and Politics, is another training program that aims to demystify the process of running for office and provide the networks required for success in politics. Currently, Ready to Run® offers programs in 14 states and has been particularly successful electing women of color.



## Violence against women



**About 70 percent of initial violent incidents happen to young women between the ages of 11 and 24, suggesting that preventive interventions need to start early and target young girls and boys. The most effective programs for victims of violence integrate capability building, counseling, financial literacy, shelter, and legal services.**

Sanctuary for Families, in New York, provides short-term assistance such as shelter and legal aid as well as training through its Economic Empowerment Program. Seventy percent of participants find work within a year.

Allstate Foundation's Purple Purse raised \$43 million to help women break away from abuse through financial empowerment and independence. Purple Purse not only supplies victims tools and resources to better manage their finances, but also provides grants to state-level coalitions to develop best practices in financial empowerment programs for domestic-violence survivors. It has worked with state organizations including the Kentucky Domestic Violence Association and the Florida Coalition against Domestic Violence.



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