WOMEN IN THE WORKPLACE

LATEST WORKFORCE TRENDS IN GENDER EQUALITY

THOMSON REUTERS SPECIAL REPORT

THOMSON REUTERS INVESTMENT MANAGEMENT
INTRODUCTION: LOOKING FOR CRACKS IN THE GLASS CEILING

Throughout much of the 20th century, debate swirled around the proper role of women in the workforce. Increasingly, women earned wages -- but only rarely as professionals or salaried employees. As recently as the early 1960s, most women with college degrees and professional aspirations had to limit their aspirations and seek employment in the “pink ghetto” as nurses, secretaries, librarians or teachers. Then a wave of social change swept across the corporate landscape and society as women demanded and increasingly received more opportunities. Today, a female CEO may not be common but no longer is remarkably rare; women make up a large percentage of the workforce in most developed nations.

BUT HAS THE GLASS CEILING BEEN SHATTERED?

The metaphor of the ‘glass ceiling’ came into common usage in the 1980s, referring to the phenomenon of women being able to see – but not reach – elite positions within the workforce, regardless of how well qualified they may be, their track record of achievement or their aspirations.

Gender discrimination may be banned; in its place many women still encounter invisible and yet very real barriers to promotion and wage increases. As former president and CEO of Hewlett-Packard Carly Fiorina once said in an interview, “it’s clear that there aren’t enough women in business, and the stereotypes will exist as long as there aren’t enough of us.”

Researchers at Thomson Reuters decided to examine gender equality within the workplace, using its ASSET4 database on environmental, social and corporate governance matters. Taking a rigorously quantitative approach, the research team drew some intriguing conclusions, including:

- The glass ceiling still exists.
- There are many disparities, geographically and by industry, as to the extent to which companies track progress on breaking through the glass ceiling, and the degree of that progress.
- Companies that are ahead of their peers when breaking through the glass ceiling tend to have share prices that outperform, particularly in tough market conditions.
CHAPTER ONE - MONITORING THE GLASS CEILING

Nearly a century after women in most nations won the right to vote and decades after they began pressing for workforce equality, it’s clear that while progress is being made, the glass ceiling may have been cracked, but has yet to be shattered.

However, a fresh analysis from Thomson Reuters based on its ASSET4 environmental, social and governance information, demonstrates that companies are doing better in voluntarily disclosing quantitative figures relating to their track records on employing women and including them in their management teams. This data provides interested parties – investors and other stakeholders, including regulators and policymakers – with an overview of the incremental progress by these corporations so far in achieving gender diversity. Although Corporate Social Responsibility (CSR) reporting has been flourishing for the last two decades, until very recently it hasn’t been possible to acquire enough quantitative information to begin to evaluate the progress global corporations have made in their attempts to demolish the ‘glass ceiling. This analysis, accompanied by a number of Datastream charts powered by ASSET4 data, is designed to give readers an overview of the latest trends in gender equality within global large and mid-cap publicly-traded corporations.

IMPROVED REPORTING …

One of the most obvious results of our comparative analysis of company-reported data from fiscal year 2005 to fiscal year 2010 is that these corporations are doing more to track and quantify the number of women they employ, including those hired at managerial levels.

Analyzing data provided by the 1,965 companies captured in the ASSET4 database that have historical data for the period from fiscal year 2005 to fiscal year 2010, we see the number of companies that provide their investors and other interested parties with quantitative information on the percentage of their workforce that is composed of women jumped by 13%. We also recorded a 10% increase (from the same set of companies) in the ranks of those providing information on the percentage of their managers who were women, over the same five-year span. (Figure 1)

This appears to be inspired by a mixture of factors: self regulation within industries, the growing number of socially responsible investors requiring greater transparency on such issues, reputational pressure from non-governmental organizations and the media, as well as a myriad of different local and/or regional codes of
There is an increased focus on gender equality globally, with particular pressure being placed on corporations to self-regulate. The prevailing fear among many businesses is that if they aren’t able to reach certain targets, policymakers or regulators may impose quotas in the same way that some European nations – such as France – have already done.

But if many companies have done better at reporting on the role women play in their businesses, there appears to be only a small improvement in the degree to which their increased presence in the workforce is reflected in the extent to which they are employed at managerial levels.

**...BUT THE GLASS CEILING IS ONLY CRACKED, NOT SHATTERED**

In Figure 2, the orange line that represents the linear trend for company-reported values in FY2010 is above the blue line that represents the linear trend for the company-reported values in FY2005, signaling that women are making breakthroughs. But there is only a small difference between them, and the orange line would need to be at a steeper angle to signal a significant increase in the ability of women to break through the glass ceiling at more senior corporate levels. In fact, the orange triangles that indicate data points for individual companies tell us that within a number of corporations, it’s still possible to find women making up more than half of the total workforce but only about a fifth of the managerial staff.

![The glass ceiling - in 5 years](image)

Source: Thomson Reuters Datastream

**Figure 2**

Some industries have done better than others, both in terms of transparency in reporting and in demolishing the glass ceiling and opening up more employment opportunities to women at a senior level. The financial sector, for instance, has done better than most both at creating an equitable environment and on making data available. In contrast, while there is only a relatively limited pool of data available from the technology sector, it nonetheless appears to signal that these companies have made less progress at helping their employees smash through the glass ceiling.

With each year that passes, we expect that not only will the corporations that already compile and report this information publicly continue to do so and add to the pool of data available for analysis, but that more companies will follow suit, thus making the data more robust. For instance, with more technology companies publicly disclosing data on women in their employment, the ability of ASSET4 to distinguish specific trends in that industry will be greatly improved.

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To date, the rate at which progress has been made when it comes to gender equality in the workforce has been slow – but it has been moving in the right direction as more corporations recognize that gender diversity isn’t just a branding exercise or a political exercise to bring about better societal outcomes, but one that can even bring about better company performance. For example a recent sell side research study by Societe Generale published in October 2011 found that companies with 30%+ representation of women on boards outperformed. This ASSET4 project highlights that progress, using data to which many interested individuals wouldn’t have ready access.
CHAPTER TWO - REGIONAL DIFFERENCES AND THE GLASS CEILING

When it comes to transparency regarding gender equality in the workforce, it appears that European companies are doing better than their American counterparts, according to data compiled by Thomson Reuters based on its ASSET4 environmental, social and governance information. But when it’s a matter of breaking through that glass ceiling, and women not only participating in the workforce but also making up an increasing part of management-level employees, American companies seem to have the edge.

[Chart: The glass ceiling - FY2010]

In an ideal universe – one that offers women equal opportunities and in which women are able to take advantage of those opportunities – a line on Figure 3 would stretch to its top right-hand corner, as if splitting the grid in half. That would tell us that every gain in the number of women in a company is matched by a similar gain (proportionately) in the number of women reaching management-level jobs within the same company. In the above chart, the markers each represent a single publicly traded company in either North America (orange) or Europe (blue), and its location on the chart is determined by the latest data provided by the corporation on the composition of its workforce for fiscal year 2010. Both blue and orange lines represent the corresponding linear trend for both European and American companies. A marker that falls below the blue or orange line tells us that the company has fallen below average in its ability to offer women posts at the managerial level. North of the blue or orange lines are the companies that have done better, with a cluster of markers toward the top right-hand corner of the scatter diagram representing companies that not only have large numbers of female employees but also a large percentage of management made up of women.

NORTH AMERICAN DISCLOSURE LAGS

There are two striking results visible in this chart. The first is the mix between the orange dots and the blue triangles. The pattern that is immediately apparent shows a majority of the markers falling below the orange trend line are blue, while most of the orange dots – which represent North American companies are further north. But the number of blue triangles dwarfs the number of orange dots, telling us that European companies are far better at reporting this data and cautioning us that incomplete data from North American businesses may mean that we’re not yet getting a full or accurate picture of gender equality across the corporate landscape.
The data used in this study is based on information in the ASSET4 database and provided by companies for the period from fiscal year 2005 to fiscal year 2010. Looking at the experience in both regions over a five-year period is informative in several different ways. For instance, in Figure 4 – in which the blue triangles represent data provided by US corporations in the 2005 fiscal year and orange triangles data provided by the same businesses in the 2010 fiscal year, we can see that the lines representing the linear trend based on this limited sample are steeper than those on the previous chart. But while the angle of that orange line may be relatively positive, the fact that it overlaps the blue line signals that the passage of time isn’t necessarily making it easier for women at North American corporations to break through the glass ceiling.

Moreover, the number of data points on which this chart is based is relatively skimpy, meaning that any single company’s experience could have a disproportionate impact on the overall results.

The limited data set reminds us that it may take more years – and many more data points – before we are able to draw more than tentative conclusions about trends in gender equality based on this information.

Figure 5

The far more abundant data from European companies is readily apparent with even a cursory look at Figure 5. Again, the blue triangles denote FY2005 data provided by a corporation, while orange triangles represent data for FY2010. The angle of the lines that plot the linear trend results for both years aren’t as steep as those seen in the prior chart, telling us that European companies, overall, have been less successful at admitting women to management ranks even if the ranks of women in their workforce have grown. But even if that angle is flatter than that recorded for North American companies, it is notable that the orange line is parallel to and consistently higher than the blue line, telling us that even if the glass ceiling seems to remain very much a fact of life for women in Europe, there at least has been a degree of measurable progress over the five year time period covered by this study.

These data points are at the heart of debates that periodically flare up on both sides of the Atlantic as to what the appropriate percentage of women in management ranks might be and how to achieve that level. At what point can it be said that the glass ceiling is no longer a material obstacle to a woman’s career path?
CONSISTENT DEFINITIONS REQUIRED

Still, obstacles remain when it comes to analyzing this data. So far, there is no standardized approach to reporting women’s participation in the workforce, which means that a job that one company may deem to be managerial in nature may not be treated the same way by another company. Or, of course, a company simply may not break down the data at all. This data will undoubtedly provide investors and other stakeholders, including regulators and policymakers, with food for thought as the debates about whether or not to establish quotas or targets for the number of women in senior managerial posts or serving on corporate boards. But perhaps the immediate subject for discussion might be finding a way to generate more reliable and complete data that would serve as a useful basis on which to discuss the more sweeping policy issues. As it stands, it’s clear these data points provide us with indicators, not the whole picture.
CHAPTER THREE - CRACKS IN THE GLASS CEILING

Not all sectors have similar experiences when it comes to providing opportunities for women to participate in the work force as employees, or to break through the glass ceiling to join management. According to data compiled by Thomson Reuters – based on its ASSET4 environmental, social and governance information – a cluster of industries appear to have done far better in making the glass ceiling almost permeable.

As Figure 6 and 7 show, three industries – financials, healthcare and energy – do far better than most of their peers when it comes to offering women managerial posts. In the healthcare industry, this is perhaps relatively unexpected, given that it has been one of the industries that have offered women employment opportunities for over a century, first as nurses and later as doctors, medical researchers and managers. It boasts the largest proportion of women as managerial employees among the ten groups surveyed, reporting that they made up 31% of the total in the 2005 fiscal year, rising to 34% in the 2010 fiscal year.

![The glass ceiling - in 5 years](healthcare.png)

**Figure 6**

But the most striking progress in breaking through the glass ceiling within that five-year time frame appears to have taken place within the financial services industry. In 2005, women made up an average of 28% of managers in the sector; by 2010, that rate had soared five percentage points – a greater gain than that recorded in any of the other sectors – to reach 33%.
Figure 7

The results look even more dramatic when we consider the rate at which women appear to have made gains as a percentage of the total workforce in the financial services sector. As noted previously, in an ideal universe, the line in the chart below would cut from the bottom left-hand corner to the top right-hand corner as if bisecting the grid. That would tell us that every gain in the rate of women’s employment would be matched by a similar sized gain in the rate at which women were breaking through the glass ceiling and obtaining managerial posts. The blue and orange lines in the table below represent, respectively, the linear trends for the 2005 fiscal year and the 2010 fiscal year for companies in the financial services sector. Not only are the absolute values impressive – the orange markers representing the results reported by companies in 2010 tell us that several companies which can boast nearly 60% of women in the workforce and 40% or more participation rate by women in managerial positions.

Gains made by women within particular companies are also striking. For instance, Nordea Bank – where the rate of female employees within the total workforce remained little changed in the five-year period surveyed – saw a 14 percentage-point surge in the rate at which women occupied managerial jobs.

Another big gain was seen in the energy industry, one in which women have traditionally not been major participants – visit any oil well operation, and among the hard hats toiling on the rigs, you’ll find few, if any, women. But an array of companies has initiated programs to address the under-representation of women in the energy exploration and production industry. Certainly, while energy remains one of the industries where a glass ceiling clearly remains intact – on average, women made up 18% of managerial level employees in the 2010 fiscal year – that picture has improved significantly since 2005, when that rate was a mere 14%.
Looking at Figure 8, we can see less dramatic changes than we witnessed in the financial services industry, but still ones worth noting. Again, the orange line – representing the linear trend in the 2010 fiscal year – is above the blue line that records the trend as of five years previously: a positive sign. Again, we see individual companies are reporting significant progress in bringing the rate at which women break through the glass ceiling to become managers closer to the rate of total female employment. Statoil, a Norwegian oil and gas company, for instance, reported that women made up 37% of its workforce in 2010, while women in managerial jobs reached 30%.

Technip, a French oil & gas services and equipment company, reported a slight increase in the total proportion of women in its workforce between 2005 and the 2010 fiscal year, but a more significant gain in the percentage of its managers who are women, a level that reached 18% as of the 2010 fiscal year.

**DATA SCARCITY HAMPERS ANALYSIS**

Still, something else that stands out on the scatter chart above is the relative paucity of data points. Compared to companies in the financial services sector, industrial concerns or basic materials firms, relatively few energy companies seem to report back to their shareholders on women’s employment rates. This survey draws on data that was provided by companies in both the 2005 fiscal year and the 2010 fiscal year, and while the rate at which companies in the industry are improving their reporting may be improving, it’s too early for that to show up in such comparative studies that seek to establish trends over time.
The dearth of useful data is particularly striking in the technology arena, where this lack of transparency has made providing a meaningful analysis almost impossible. On the surface, it seems as if technology has a particularly poor record when it comes to offering employment opportunities to women, and indeed, that the rate at which women obtain managerial jobs is actually on the decline. (Intel, for instance, reported in 2005 that some 30% of its managers were women; by 2010, this was closer to 15%.)

**IS TECHNOLOGY’S GLASS CEILING MORE SHATTERPROOF?**

But in fact, it’s impossible to determine whether Intel reflects the industry’s actual experience, or is an outlier, due to the dearth of data. Nor can the lack of transparency on this subject be explained by differences in national or regional regulations or reporting requirements, as the data points come from companies across North America and different European nations. Of the 254 technology companies in the ASSET4 database, only 9 companies published both sets of data – the percentage of both their workforce and their managerial-level staff – for both fiscal years. True, there were 33 technology companies in the database that reported the percentage of women that were managers in the 2010 fiscal year, compared to only 14 in the 2005 fiscal year. While that improvement seems impressive in absolute terms, relative to the industry’s size and importance, it reminds us once more that drawing firm conclusions about whether women are succeeding in breaking through the glass ceiling hinges on the extent to which the companies that employ them are willing to provide the data required to shape those conclusions. Unless and until transparency improves, the ability to state definitively that an industry such as technology – or healthcare, or utilities – is making progress when it comes to gender equality in the workplace will remain limited.
Figure 10
CHAPTER FOUR - THE PAY OFF

When it comes to providing women with opportunities for employment and to rise to occupy mid-management posts and even positions in senior management, the question that often arises is an obvious one: why should they do so? For businesses with a fiduciary duty to maximize shareholder value, the response that they “should” do this as a matter of social justice, or out of a broader duty to their other stakeholders, isn’t always convincing. In countries where there is a regulatory rule or policy in place requiring them to adhere to quotas or other minimum thresholds when it comes to the participation of women in their workforce, corporations have had to ensure that women occupy a certain percentage of, however reluctant those businesses may be to do so. Those companies in vanguard of enabling women to break through the glass ceiling – whether they are ahead of their peers on a voluntary basis or simply complying with government – are now providing researchers with enough data to be able to conclude, albeit tentatively, that these initiatives may prove to be in shareholders’ best financial interests as well as the broader interests of society.

GENDER-BLIND COMPANIES LESS VOLATILE

The data compiled by Thomson Reuters in this study indicate that the stock prices of those companies that do best at opening job opportunities to women may fare better at times when broad stock market indicators are either highly volatile or falling. In other words, the early data provided by our study on the glass-ceiling phenomenon appears to signal that these companies may serve as a “hedge” against broader stock market weakness. (The same holds true of companies that have more women on their boards of directors.) While the data that led us to this finding is still limited in scope – it is based on information disclosed by the companies themselves about women’s participation rates both across the board and at management level in 2010, and the market performance of these stocks when plotted against broader market indices – it is certainly an intriguing finding, and one that will richly repay further study.

The following charts show the experience of European companies, and reflect the returns investors could have earned on companies in the Stoxx 600 index of large, mid-cap, and smaller publicly-traded companies from 18 European nations ranging from the United Kingdom and Germany to Iceland and Portugal that have relatively few female managers or board members, and contrast that with the returns on those that have higher levels of female employment at senior levels.
In Figure 11, the index levels for these two groups – the first comprised of the 87 STOXX 600 companies that reported that women made up more than 30% of their managerial-level workforce (represented by the orange line), the second group composed of the 107 companies that reported in 2010 that women made up less than 20% of those more senior positions – have been reset to 100 at the beginning of 2011. In periods where the market was relatively strong and robust – essentially, the first half of 2011 – returns on the stocks of the former category either closely tracked those on the latter or lagged slightly. But as concern over Europe’s sovereign debt crisis roiled financial markets throughout the second half of the year, the degree to which those companies that had made the greatest progress in demolishing the glass ceiling were remarkably consistent in offering superior returns to investors.

Figure 12
LONG-TERM RETURNS STILL BETTER

The actual results depend, of course, on what period the analyst chooses to study. In Figure 12, the starting point is April 2011, before the worst of the volatility gripped financial markets. Even so, throughout all but a few days at the very beginning of this period, the performance of STOXX 600 companies able to demonstrate a better track record of opening positions as managers to women were also those that did better at delivering investment returns to their shareholders.

Figure 13

As you can see from Figure 13, a very similar result can be seen by expanding the analysis to the 1,600 companies in the MSCI Global index of publicly traded corporations from around the world. In this case, the data is based on the 152 companies that reported in 2010 that more than 30% of their managers were women, and the 184 corporations that reported they had fewer than 20% of women working in managerial posts.

Figure 14
Again, resetting and recalculating the index level to begin in April 2011 produces slightly different but equally compelling indications that companies worldwide that hired more women managers fared better relative to their peers who reported hiring relatively few women at senior levels during the most volatile market periods of 2011. In some instances, that gap is narrower, but the orange line denoting the former category remains consistently higher than the grey shaded area representing the returns offered by the latter.

**WOMEN ON CORPORATE BOARDS**

The issue of the representation of women on corporate boards has been a hot-button issue of late in both Europe (where some countries, notably Norway, have begun to mandate gender equality) and the United States. Accordingly, we looked at those companies in both the STOXX 600 index and the MSCI World index that reported in 2010 that 30% or more of their board seats were held by women, and compared the 2011 returns of this group to the returns provided by companies where only 10% or less of the board seats were held by women.

![Figure 15](image_url)

*Figure 15*

Figure 15 represents the contrasting experience for those two groups within the STOXX 600 index. Again, the orange line represents returns provided by the group with the higher female board membership levels, a group of 47 companies, while the returns for the 105 companies that reported 10% or fewer of their board members were women is reflected by the shaded grey area. In this case, however, the evidence isn’t quite as compelling that more women on board equates to better financial returns for shareholders. Again, that is slightly more true in particularly volatile periods, but the two levels are much more closely aligned during the period we studied.
However, examining the same data regarding board membership on a wider basis – the experience reported by companies in the MSCI World index – the results are quite different. Again, it is clear that those companies with higher levels of board participation by women did better at providing returns to shareholders throughout the volatile market environments from April onward, with the exception of a few weeks in mid/late July. Figure 16 is based on the returns generated since April 2011 by the 86 MSCI World companies that reported in 2010 that they had at least 30% of board seats occupied by women and the 224 companies that disclosed that 10% or fewer of their directors were women.

**MORE RESEARCH & DATA REQUIRED**

It is important to emphasize that this data, however intriguing or compelling it may appear, can only be a starting point for research and debate. As we have noted throughout this series of articles on the phenomenon of the glass ceiling, the extent to which companies worldwide disclose data on women’s participating in their workforce, whether as non-managerial or managerial levels or even on the board, is still too often underwhelming. Unless and until more corporations report such data – and do so consistently and with some degree of uniformity, using common definitions as to what makes someone a “manager” – issues of transparency may hamper more detailed research or limit the lessons that can be derived from such analyses. Nonetheless, even the suggestion that the ability of companies to help their female employees break through the glass ceiling may produce higher risk-adjusted returns for shareholders in periods of market volatility reminds us that gender equality in the workplace is more than a matter of social justice: it may make good business and investment sense.
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