



## FROM NATIONS TO BOARDROOMS

# THE COST OF EXCLUDING WOMEN

*What does gender exclusion cost a society? What toll does a country pay when its women aren't full participants in politics, commerce and culture?*

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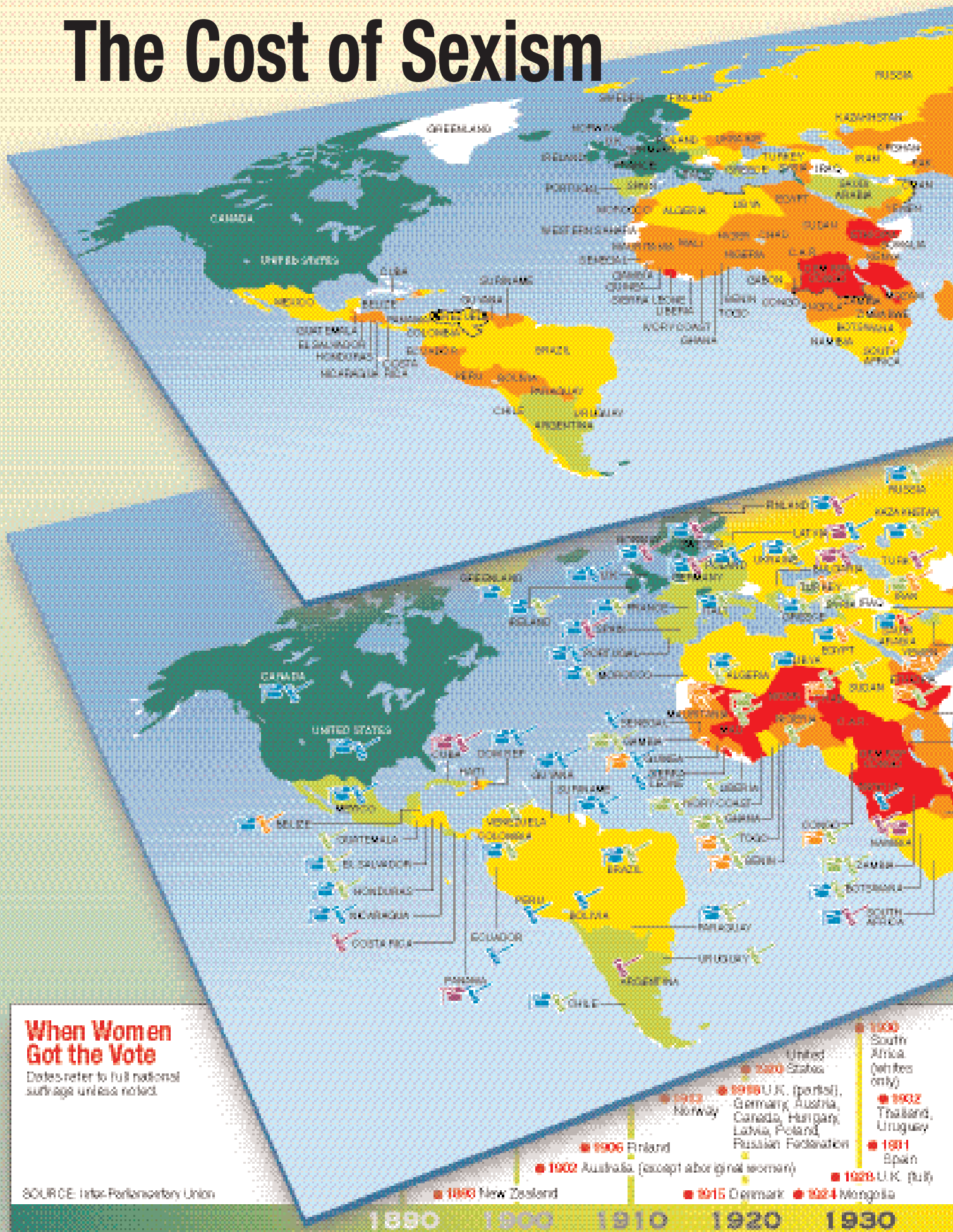
American women began demanding answers to these questions in 1848, when suffragettes launched the women's movement at a gathering in upstate New York. As the nation celebrates Women's History Month, we can see the results of their work in our abundant affluence—the prosperity that comes from an educated, productive and healthy populace.

Some countries have arrived at the same answers. Others only are beginning to ask the questions. Set these countries side by side and it is apparent that the business case for gender diversity is as true for nations as it is for

individual companies. The atlas on the next page compares national wealth with women's status around the world. Countries that rank high in gender equality also boast high gross domestic product (GDP). Where gender disparity is extreme, wealth suffers.

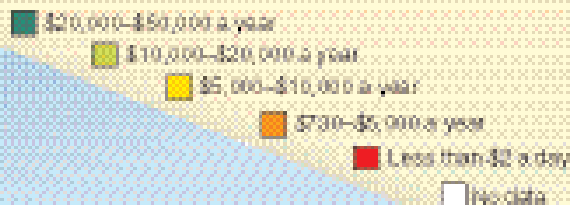
Why should the status of women matter to business leaders? Because women boost national productivity, and national productivity is tied to corporate wealth. GDP measures all of a country's sales, minus expenses such as wages and taxes, so it is essentially a proxy for aggregate corporate profits.

# The Cost of Sexism

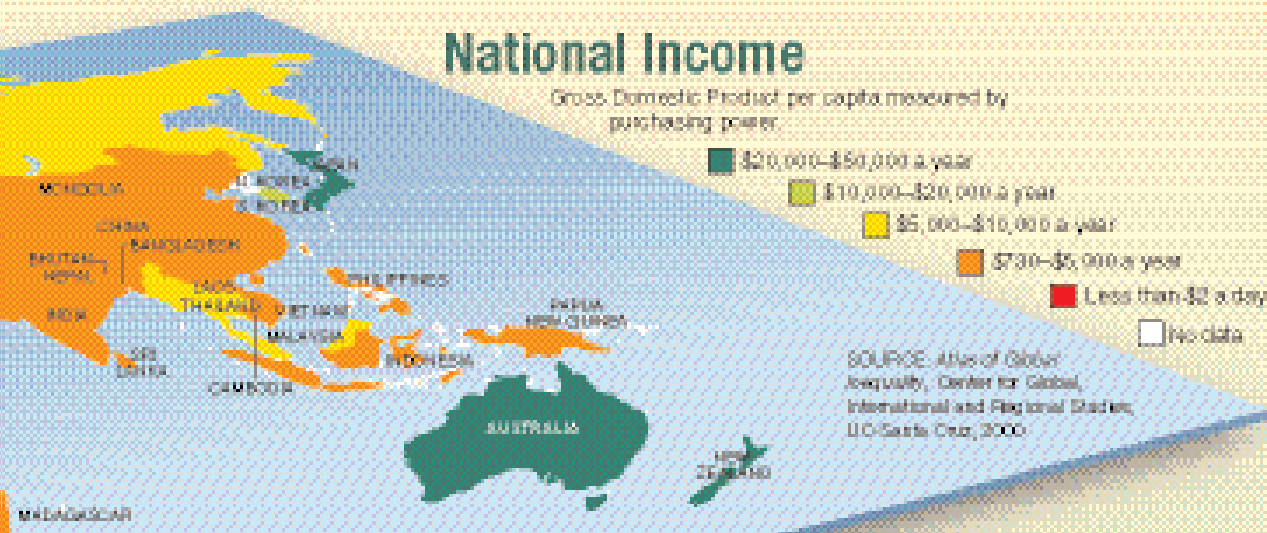


## National Income

Gross Domestic Product per capita measured by purchasing power.

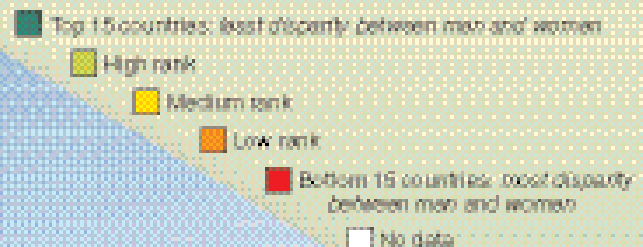


SOURCE: *Atlas of Global Inequality*, Center for Global, International and Regional Studies, UC-Santa Cruz, 2000

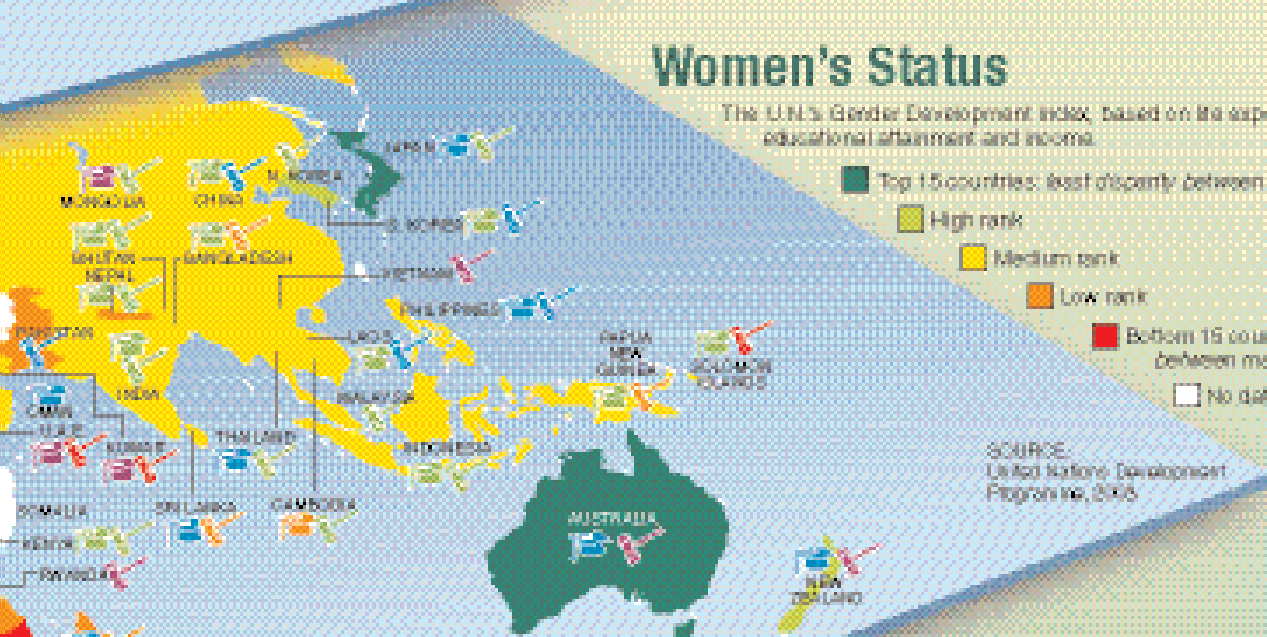


## Women's Status

The U.N.'s Gender Development Index, based on life expectancy, educational attainment, and income.



SOURCE: United Nations Development Programme, 2003



## Women University Students



SOURCE: Joel Geiger, *The Asian Age of Women in the World* 2003



## Women Elected Officials



SOURCE: Inter-Parliamentary Union, 2004





**“This is a serious issue that has real economic costs attached to it, it’s not just a matter of being nice to women.”**

*Karen Mason, The World Bank*

“Limits on real gross domestic product growth put a lid on long-term profit growth,” writes University of Pennsylvania Wharton School Professor Jeremy Siegel in his book *Stocks for the Long Run*. “If real economic growth is 3 percent, long-term corporate profits could not grow by more than 3 percent per year after inflation.”

If a nation fails to work more productively, corporations grow only by cutting wages or living off government largesse, and the economic model fails.

Increasingly, women *are* the comparative advantage. “If you ignore the potential in women or half of your population, you’re going to be at a competitive disadvantage in this world; that’s [true of] corporations, countries, cultures, whatever,” says Paul Herbig, marketing professor at Tri-State University in Angola, Ind.

In his book *The Innovation Matrix*, Herbig reports a significant correlation between a country’s ability to innovate and the number of women in that country’s work force. “In globalization ... if you are at that type of disadvantage you’re not going to fare well in the long run,” he says.

### **The American Model**

Although the United States today is held up as a pioneer of gender diversity, its progress has been gradual. In 1898, a Connecticut mother named Charlotte Perkins Gilman published one of the earliest arguments for diversity. A hit in America and Europe, *Women and*

*Economics* was translated into half a dozen languages. In it, Gilman proposed that Victorian restrictions on women’s activities made the world a poorer place.

Building on the new Darwinian ideas of her era, Gilman argued that nations cannot afford what she called an enormous class of non-productive consumers—“a class which is half the world, and mother to the other half.” Gilman called for then-revolutionary programs, such as daycare, that would allow women to work outside of the home.

It’s easy to forget that in Gilman’s day, America was a developing country. American reformers looked abroad for role models. Suffragettes were galled that many European women achieved the vote before they did. The abolition of slavery came to the United States a full generation after British emancipation in 1833.

Since then, America and its women have come up in the world. American women account for about half of the U.S. work force and hold powerful positions in public life. But in other parts of the globe, women measure their progress by humbler yardsticks. In countries where women still contend with repressive customs and unequal access to education, health care or work, the costs that those societies pay for their treatment of women is meted out in poor literacy rates, lowered life expectancies and poverty.

### **Uncovering Potential**

Gilman’s century-old call to progress

was echoed recently by the authors of a World Bank report called *Engendering Development*, which found that societies that discriminate by gender tend to experience slower economic growth and greater poverty than societies that treat males and females more equally.

The Middle East provides an illustration. According to the World Bank, old growth models based on the oil boom of the 1980s no longer work for mature oil economies. Real wages in the region have stagnated or declined since the mid-1980s and unemployment has risen.

In some Arab countries, women make up as much as 63 percent of the university students, but only 32 percent of the labor force. Simulations estimate that if Middle Eastern women were employed according to their potential in terms of their education and age, they could boost average household earnings by as much as 25 percent. This would translate into a 0.7-percent increase in gross national product for the region.

“This is a serious issue that has real economic costs attached to it, it’s not just a matter of being nice to women,” says Karen Mason, director of gender and development for the World Bank in Washington, D.C.

Where women are marginalized, lost opportunities abound. University of Munich economist Stephan Klasen compared East Asia’s progress in educating its female work force with that of South Asia, sub-Saharan Africa, the Middle East and North Africa, where large gender gaps still exist

between men's and women's levels of education. Klasen estimates that if those countries had closed their gender gaps at the same rate achieved by East Asia between 1960 and 1992, their income per capita could have accelerated by 0.5 to 0.9 percentage points each year.

"Those economies were able to achieve rapid growth in part because they had invested in female education and they opened up a lot of opportunities for women," says Mason. "They were able to be more competitive because they could expand their labor force."

Globalization has come under fire justifiably for aggravating inequities, but its effects can work both ways. Critics of globalization contend that it takes unfair advantage of women. Christa Wichterich, author of *The Globalized Woman*, worries that women have become the "call girls" of the open market, relegated to "pink ghettos" of poorly paid female work.

Others predict inexorable improvements in work conditions. In his book *The Lexus and the Olive Tree*, Thomas Friedman describes a sparkling textile factory in Sri Lanka, where a mostly female work force stitches goods for Victoria's Secret and Marks & Spencer. The factory owner maintains impeccable working conditions because Western customers demand it. ("Wages aside, I would let my own daughters work there,"



Friedman proclaims.)

The rapid expansion of China and other Asian tigers has given American business leaders more options. U.S. corporations expect to outsource 3.3 million jobs by 2015 to inexpensive, educated workers in Asia and India. As a result, wages in those countries have begun to rise, triggering a new trend toward "reverse outsourcing," where Indian and Chinese companies hire U.S. companies for specific services.

The cost of leaving women behind can be felt even among countries with middle-to-high incomes and higher initial education levels. For every percentage-point increase in the share of women with secondary education, nations gain an estimated boost in per-capita income of 0.3 percentage points, according to the World Bank report.

Those gains are replicated at the level of the individual company. A number of studies of U.S. compa-

nies have found a relationship between women in management and higher corporate profits. The latest, by Catalyst, shows that companies with the highest number of executive women had a 35-percent higher return on equity and a 34-percent higher return to shareholders than companies with few women near the top. Catalyst looked at 353 of the Fortune 500 companies from 1996 to 2000.

Culturally, women bring balance to societies. Like dissident directors on the boards of unaccountable companies, women activists work to democratize their countries and give voice to a national conscience. Researchers have found that in countries where women are welcome in public life, business and government corruption is low, even when comparing countries with identical income, civil liberties, education and legal institutions.

In a study of 350 businesses in the republic of Georgia, researchers found that companies owned or

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*Professor Maurice Schweitzer,*

University of Pennsylvania Wharton School of Business

managed by men were 10 percent more likely to offer bribes to government officials than those owned or managed by women. The study, published by the Center on Institutional Reform and the Informal Sector at the University of Maryland, controlled for the firm's industry, size and the level of education of its owner or manager. Without controlling for those factors, men's firms were twice as likely to pay bribes.

“The results are very consistent, demonstrating that women across the board generally have higher ethical standards than men,” says Professor Maurice Schweitzer of the University of Pennsylvania's Wharton School, citing studies conducted on ethical behavior worldwide, from the Netherlands to Brazil.

Researchers hypothesize that women are more honest because they mature emotionally faster than males and because they're socialized to be more caring and cooperative.

It may be no coincidence that when Enron imploded, stories surfaced about strip-club parties and wild expenses; many commentators blamed the corporation's male cronyism for its problems.

“Going to strip clubs represents some frays in the moral fabric of a culture and the extent to which women in the organization make that less likely to happen, that alone will have an impact on the broader culture,” says Schweitzer. “Women bring with them a set of issues and are likely to change the way business is done in ways that can be very important.”

Women bring different values to

public office as well. Political scientists have found that female legislators generally are more likely than men to propose bills on public health and education, suggesting a distinctive female social ethic that may carry over to business dealings. The same appears to be true of women politicians in other parts of the world.

However, the correlation between gender and national progress isn't perfect. “You find different models,” Mason cautions. “You can find countries where women's empowerment came first or was part of the early changes, and others where it's a very late change ... So it's neither a necessary nor a sufficient condition, but it seems to help on average and there are these clear examples where societies seem to be holding themselves back economically by saying ‘no women are too pure they have to remain in the home.’”

Japan, for instance, confounds every expectation. It is a modern industrialized nation that educates women equally with men. Even so, women's rights and participation in the work force are limited.

Japanese women are typically expected to work for several years in a menial position, then marry and retire. They occupy about 1 percent of managerial positions in large Japanese firms, despite being approximately 40 percent of the work force, according to Japan's Ministry of Health, Labor and Welfare. (In the United States, women are half the work force and represented 15.7 percent of all cor-

porate officers in the Fortune 500 in 2002.)

“You don't look at Japan and say, ‘Ah yes, here's a society that liberated their women and invested in their education and they rushed into the labor force and produced growth,’” says Mason. “It's just not true.”

Rwanda is another anomaly. The small African nation has more women in parliament than any country in the world, but also a terrible record of sexual violence.

Some say Japan's uneven treatment of women is coming back to haunt its economy. “Japan is now finally beginning to change, basically because women have said, ‘We don't buy into this system,’ and they're not getting married,” says Mason. “That's the Japanese feminist movement. And it's contributing very strongly to demographic crisis in Japan ... The rate at which babies are being produced has gone way down and they have tremendous longevity so they have a very old population. That's one reason a lot of demographers think their economy is stagnant.”

“Study after study has shown that there is no effective development strategy in which women do not play a central role,” announced U.N. Secretary-General Kofi Annan on International Women's Day in 2003. “When women are fully involved, the benefits can be seen immediately: families are healthier and better fed; their income, savings and reinvestment go up. And what is true of families is also true of communities and, in the long run, of whole countries.” **DI**