

THE DAILY CHECK-IN WITH GOLDMAN SACHS

GUEST: SHARON BELL, SENIOR EQUITY ANALYST IN GOLDMAN SACHS RESEARCH

HOST: LIZ BOWYER, GLOBAL HEAD OF BRAND AND CONTENT STRATEGY

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LIZ BOWYER: Hi Sharon.

SHARON BELL: Hi Liz.

LIZ BOWYER: Your team at Goldman Sachs Research just published a new report, "Womenomics: Europe Moving Ahead." What were you exploring in this research?

SHARON BELL: We're looking at the representation and progress of women in the workforce overall in terms of pay gaps with men, also at company level we're looking at representation on boards and the different levels for women. I'm also looking to see how much progress has been made. And although the main focus on the report is on Europe, I'm also comparing with the US and Japan.

LIZ BOWYER: And what does your research find about female labor force participation in recent years, both in Europe and the US?

SHARON BELL: So, when we talk about labor force participation, we mean the percentage of women that are in the workforce. And in the US, unfortunately, that ratio has stagnated in recent years. There was lots of gains 20 or 30 years ago. But not so much recently.

Now Europe has typically lagged behind the US. Generally, fewer women used to work in Europe than they did in the US. But that's not so much true anymore. Indeed, Europe has caught up. And in many cases overtaken the US in recent years. If we take all age bands from age 30 to age 59, then female participation in the labor force in Europe is now higher than it is in the US.

LIZ BOWYER: And what's driving those trends?

SHARON BELL: Look, I think there are many factors. So it's kind of difficult to work out exactly what is driving it. I think one thing is women in their fifties and sixties who are working and staying in the workforce for longer than women in those cohorts did a generation ago. This is, in fact, a bigger driver in some ways

than the younger women participating more in the workforce. And that's been a large change in Europe, I would say, in the last couple of decades.

Another big factor is childcare. Childcare costs, childcare availability, childcare quality, also parental leave policies as well. These tend to be more generous in Europe. And they generally improved it. They've still got more room for improvement, they generally improved in the last decade or so. And there's a very good correlation between female labor force participation and those types of factors.

LIZ BOWYER: And what about the gender pay gap, which your research shows has narrowed significantly in Europe in recent years compared to the US? What are the factors behind that?

SHARON BELL: Yeah, I mean this is a big focus of everybody, particularly the media and investors. And yes, it's another case, actually, of Europe doing better than the US. The gender pay gap is smaller in all major European countries than it is in the US. And far smaller than it is in Japan. Also it's been coming down in recent years in Europe. It's been narrowing. Whereas the difference between pay between men and women has really stagnated in the US. You haven't seen women catching up in the same way.

That said, it's not all positive news. The pay gap is still large in most European countries. I would say, you know, it's about 12 to 18 percent women are paid less than men. So there is still a lot more work to do. And of course, you could argue, well, women are not the same as men. As a group they're not the same as, say, men as a group. Women, for example are more likely to work in particular industries, maybe those are industries that pay less. And even within industries, women tend to do certain types of roles. So, maybe those roles are paid less. Women have different tenure than men and different degree of work experience than men. And on average they have slightly less work experience. So then, does that justify this pay gap?

I mean, we find even when we adjust for all those types of factors, you can only explain about a third to maybe a half of the pay gap. There's a large proportion which is totally unexplained by those observable factors. And that's true in Europe and in the US.

LIZ BOWYER: But to what extent do you think that the persistent gender pay gap is attributable to a glass ceiling?

SHARON BELL: I think there is evidence of a glass ceiling, very

much so. I had a look at UK data. There's lots of interesting UK data that shows pay gaps between age groups, for example. And under forties in full time work, the pay gap for them have more or less disappeared. It still slightly positive. So, in other words, women are still paid a tiny bit less than men, under forty, but really, it's pretty close to zero now. And it's been close to zero for the past decade. So, that's great news. But the pay gap is still pretty high for women in their forties, fifties, and sixties. And this is when women and men are reaching the highest paid potential in their careers. This is when they're got for the top echelons. And this is the point where the pay gap opens out the most. So, you know, I think that's very clear evidence of a kind of glass ceiling. And I do think this pay gap really matters and it should matter to younger women too because they'll be aspiring to those roles in the future, so it's that pay gap that I think we haven't really broken, to use the analogy with the glass ceiling. And we need to over the next few years.

LIZ BOWYER: Sharon, your research also highlights pretty significant progress when it comes to female representation on boards of directors, but less so in terms of women executives and managers. What's behind that?

SHARON BELL: Yeah. Actually the progress has been pretty phenomenal, I'd say. Very good in the case of Europe. So, if you go back to 2005, only nine percent of Stock 600 broad members were women. So, that's the largest 600 listed companies in Europe. We had less than ten percent of their board was made up of women. Whereas now it's around 31 percent of women broad members in the Stock 600 companies. So in less than a generation you've seen a massive change and that's great to see.

I would say though it's flattened out in the last couple of years. I would also say that I suspect boards are very focused on targeting a level of around 30 percent, maybe a third. It's something that the media and investors are super focused on as well. And in some countries in Europe there are even quotas to get a certain number of women on the board. So this becomes an ultra targeted statistic. But the truth is we need not just to target one level of representation, we need more women represented in the workforce, particularly in Europe where it's a declining working age population. That's also very much true in Japan as well, even more so in Japan, where there's a declining working age population. We need to encourage more female labor force participation. Also more women managers so that that layer below the board level, is that really coming through? That's seen improvements in the last 15 years, but nowhere near as much as that board level number. And

then there are very few women CEOs and CFOs. The needle has not moved there much in the last decade or two.

So we've made some progress on certain statistics. And I would argue quite ultra targeted statistics. But less progress on others.

LIZ BOWYER: And do what extent do you find that having women in senior positions as managers or on boards of directors correlates with a company's performance?

SHARON BELL: I mean, this is a good question on one we're often asked. I mean, I don't think it's the only way to justify having more diversity. Let's be clear, I think more diversity is a kind of moral imperative, a social imperative. And I think it's great to have more diversity even if it doesn't necessarily mean more or less performance. What I do find though in Europe in the last decade, having a greater proportion of women on your board or as managers, that kind of next level done, has been associated with outperformance relative to your sector. So, for the companies that are in the top quarter for women on their board or women managers, it's led to about two and a half percent annual outperformance relative to those in the bottom quarter. So, that's an encouraging statistic, if you need an encouraging statistic to go for a more diverse workforce.

LIZ BOWYER: Finally, Sharon, how has the pandemic affected Womenomics and gender equity and I the workplace generally?

SHARON BELL: Look, I think this is a tricky one. And in some ways, you know, the pandemic is so fresh, it's not over. We have yet to really see the full fallout in terms of bankruptcies, for example. In most of Europe there have been furlough schemes or there have been short time work schemes. And these have insulated people's jobs. You haven't seen job losses to a large degree yet. So, I think that's a pretty broad caveat. So, it's really difficult to get a good handle on the impact.

But relative to men, if I think of women as a group, are they going to lose out relative to men? I think there are positives and negatives for them relative to men. On the negative side, women definitely have taken on more of the childcare responsibility through the lockdowns, especially when schools and nurseries were not open for a long period of time. Secondly, some of the industries women work in have been hardest hit. When, for example, are a larger share of the workforce in travel and leisure and in retail. And as a very general point, women tend to work in more service-orientated roles or more service-orientated industries

rather than in manufacturing. And services have been harder hit by social distancing measures. So, in all those senses, yes, I think women have been negatively impacted relative to men.

But I think in other ways less so. So, there are more women that generally work in public services and in the public sector. Around two thirds of public sector employees in the larger European countries are women. And these jobs are much more protected. Pay is rising, for example, in the public sector in the UK and it's following the private sector. Also, lots of workers, both men and women, have needed to work more flexibly. And companies have had to allow that flexibility. We are now working more from home and more flexibly generally. And I think that should benefit all workers, but I think it should benefit women especially.

LIZ BOWYER: Thanks Sharon.

SHARON BELL: Thanks very much Liz.

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