

# Retaining Women in the Workplace



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## Introduction

The U.S. Bureau of Labor Statistics (BLS) released some unsettling data last year regarding women's participation rates in the labor force. According to the BLS, the participation rate for all U.S. workers in 2012 was 63.6 percent, the lowest rate for men or women since 1981. Women were the largest demographic segment exiting the labor force, however, with a participation rate in April, 2012 of 57.6 percent (versus men's participation rate of 70.2 percent). The participation rate for women was down from its April 2000 peak when it was 60.3 percent.

Women weathered the recent recession better than men because their jobs tend to cluster in more recession-proof jobs in the health, education, hospitality, and retail industries, making the participation rate data particularly perplexing (Parker, 2012; House, 2013). To make matters worse, the BLS report also noted that in the 12 months preceding the April 2012 report, 90 percent of the 1.3 million jobs that were created went to men. Women only gained 149,000 of those created jobs.

The labor force participation rate for women fell even for women working at *Working Mother* magazine's 100 Best Companies. In 2012, women comprised 51 percent of all employees in these companies, as compared to 46 percent in 2013. In these "Best Companies," where special attention is paid to developing and retaining women leaders, women represent 43 percent of all managers, 34 percent of all senior-level managers, and 23 percent of corporate executives, a significantly higher representation than in corporate America overall, where only 14 percent of executive officers are women and 8 percent of top earners at Fortune 500 companies are women (Stone 2013). Even Top 100 companies that are doing better than American companies overall are still suffering from the downward trend in women's participation in the labor force.

The presence of women in the workforce and in leadership positions can increase productivity and innovation and improve team dynamics and decision-making processes (Carleton, 2013). Their presence in the workplace, according to a McKinsey & Company report, also boosts the economy. Between 1970 and 2009, 38 million women joined the workforce. Without them, the economy would be 25 percent smaller (Barsh & Yee, 2011).

Women leaders can also boost an organization's bottom line. A study conducted by the German government found that the average return on investment for organizations with women- and family-friendly policies was 25 percent, and an examination of

companies in Singapore found that those employers with generous leave policies and flexible work hours had higher employee retention rates (International Finance Corporation, 2013). A 2011 Catalyst study found a 26 percent difference in the return on invested capital between the top-quartile companies (those with 19 to 44 percent of women on boards of directors) and bottom-quartile companies (those with no women on boards of directors). And a McKinsey & Company study found that organizations with three or more women in top positions scored higher than their peers on its Organizational Health Index (Barsh & Yee, 2011).

This white paper:

- Examines the “push factors” women experience in the workplace that may factor in their decision to opt out of the workforce;
- Looks at why women with high educational attainment and women in low-paying jobs are dropping out of the workforce at a higher rate;
- Explores the costs to women and employers of opting out;
- Offers suggestions to HR and talent management professionals about how their organizations can encourage women’s re-entry into the workforce and how to develop women to encourage their entry into leadership positions, and;
- Provides examples of what some leading organizations are doing to retain women and to develop them into corporate leaders.

## Pushed Out or Opting Out?

**T**he downward trend in American women’s labor force participation rate leveled off during the recession, but as the economy recovered, women began leaving the workforce. In September 2013, American women’s labor force participation rate was 57.1 percent, matching the lowest level in 24 years, according to the BLS (Jeffrey, 2013). Some of the withdrawal may be attributed to the continued struggle to find a job; many men and women have simply given up. The long-term downward trend, however, leaves many experts speculating about why women are “opting out” of the workforce.

Researchers examining the trend concluded that there were two top drivers at play in a woman's opt-out decision—educational attainment and childcare issues. A study by Vanderbilt University Professor Joni Hersch found that women with bachelor's degrees from highly selective colleges and universities who were married and had children were 20 percent less likely to work than women in the same group who did not have children. Hersch also found just 35 percent of the women she studied with bachelor's degree from top universities and who also had MBAs worked full time, as compared with 66 percent of women with MBAs who had bachelor's degrees from less selective schools (Schoenberger, 2013).

### Working Mother's Top 10 Companies for 2013

1. Abbott
2. Deloitte
3. Ernst & Young
4. General Mills
5. IBM
6. KPMG
7. Procter & Gamble
8. Prudential Financial
9. Pricewaterhouse Coopers
10. WellStar Health System



Source: *Working Mother* magazine (workingmother.com, October/November, 2013).

Why would these women, who have invested so much time, effort, and money to achieve degrees from top universities, opt-out of the workforce? Some experts speculate that these women tend to come from wealthier backgrounds, take out less in student loans to pay for their education, and are surrounded by peers with similar backgrounds who they marry. They have less debt and spouses with higher earning potential. When their spouses earn enough to support the family without the women's income, they are able to leave the workforce to raise their children (Korn, 2013). Ilene Lang, president and chief executive at Catalyst, however, counters that theory, concluding that these women are not choosing to opt-out, but are rather being pushed out by the lack of professional opportunities for advancement and raises. Employers are simply not providing mid-career women with the opportunities that would increase their likelihood of staying in the workforce (Schoenberger, 2013).

Childcare issues (and increasingly eldercare issues), including quality and costs, are often a factor in making that "opt out" decision, particularly for women in lower income brackets. Childcare costs can often exceed these women's incomes, making it financially impractical to continue working. In Sweden, where children are provided a spot in a public preschool and parents are charged no more than 3 percent of their incomes for the care, 78 percent of mothers work (Schoenberger, 2013).

Women who do opt out of the workforce aren't opting out permanently. Sylvia Ann Hewlett, founder and president of the Center for Talent Innovation, found that 40 percent of the women she surveyed took a brief hiatus from the workforce to spend more time with their children that lasted about two years. More than 90 percent of the women in her study said they were trying to get back into the workforce. Hewlett, like Lang, also found that the women in her study felt they had not opted out as much as had been pushed out. If women were passed over for a promotion, for example, or felt undervalued or underutilized at work, the prospect of leaving the workforce to spend time with their children became much more appealing (Marquez, 2007).

### **National Association for Female Executives' (NAFE) Requirements to Be Named a Top 10 Company for Women**

- Must have at least two women on the company's board of directors and 1,000 employees in the U.S.
- Must have an adequate amount of female representation at all levels.
- Access by employees to and use of programs and policies that promote the advancement of women.
- Amount of training and accountability of managers in relation to the number of women who advance in the company.



Pamela Stone, a sociology professor from Hunter College in New York, also found a similar theme in her study of 54 high-achieving women who had interrupted their careers to take time out for their children. Her study, which consisted of in-depth interviews with each woman, revealed that these women did not believe they opted out of the workforce. Instead, they felt compelled to leave because their employers failed to accommodate their status as mothers.

Stone found that these women felt their employers did little to support them once they became mothers. They felt they were pushed out of the workforce because of a lack of genuine flexibility in work hours and structures, cultures that encouraged extreme work hours, a disconnect between policies on flexibility and leave and the actual application of those policies, the lack of meaningful part-time work, the absence of female role models and managers, and high demands for travel. These women left the workforce because they felt they had no choice (Michaels, 2009).

This inflexibility to accommodate women's (and increasingly men's) need for family friendly policies and practices may have a long-term, debilitating effect on employers, particularly as baby boomers retire and the pool of qualified leaders continues to shrink. A Center for Work-Life Policy study found that almost all the women surveyed who had left senior-level positions planned to return to work, but only 5 percent said they would return to their former employer, and another survey found that none of the women surveyed said they would return to their former employer (Jones & Schneider, 2010).

### NAFE's Top 10 Companies for Women for 2013

1. Abbott
2. AstraZeneca
3. General Mills
4. IBM
5. Johnson & Johnson
6. KPMG
7. Marriott International
8. Procter & Gamble
9. Prudential Financial
10. State Farm

Source: *Working Mother* magazine (workingmother.com, February/March, 2013).

## The Costs of "Opting" Out

**W**omen who leave the workforce pay a dear price for doing so. One study (in O'Kelly, 2013) found that women who take just one year off will lose 20 percent of their lifetime earnings. Women who take two to three years off earn 30 percent less. Women who take three or more years off will lose more than \$1 million over their career, or up to 37 percent of their income. Some of this financial loss is because women in high-level positions find it difficult to re-enter the workforce, and often find themselves taking part-time positions or jobs at lower levels—jobs that are lower paying than their previous ones and lower in occupational worth (Jones & Schneider, 2010).

It is not just women who lose out—employers do too. As Hewlitt pointed out in an interview with *Workforce* magazine, the costs incurred when losing a female employee, particularly at the manager and higher levels, can be very high. In a 2012 webcast for the Society for Human Resource Management, Kim Ruyle, Ph.D., estimated turnover costs—including the costs to off-board the departing employee, the cost to replace the employee, transition costs (including opportunity costs), and the costs from long-term disruption to the talent pipeline—to be between 100 and 300 percent of the base salary of the replaced employee.

### Myths About Stay-at-Home Moms

- **They are traditional.** In her study, Pamela Stone found that nine out of 10 women she interviewed had aspired to careers. The decision to stay at home came as a surprise to them, and the decision was not as easy as it seems.
- **They are not competent or ambitious.** Stone's examination of the women's work histories and education belied that myth.
- **They quit work because of family.** Stone found that in reality, these women left their jobs because of their employers, not their families. Ninety percent of the women interviewed cited problems such as rigidity and long hours as the reason they left. Most of the women tried to work part-time before finally leaving, but said "hours creep," marginalization, stigmatization, career plateauing and "mommy tracking" made part-time work undesirable. The women in Stone's study had experienced steady promotions before going to part-time work. They found their careers stalled when they went part time.
- **They'll only leave again anyway.** Many employers assume mothers are flight risks and associate motherhood with quitting, reduced hours, flexible work options and eventually, leaving the workforce. The evidence is that when done right, family-friendly programs increase retention and reduce employee turnover. A Vietnamese garment factory, for example, reduced turnover by one-third after the company started a kindergarten program for worker's children. A garment company in Bangkok that delivered health services to women in their factories realized a \$3:\$1 return on investment over an 18 month period as a result of combined savings from reduced absenteeism and staff turnover (International Finance Corporation staff, 2013).
- **They worked for bad companies.** The women in Stone's studies actually came from so-called "employers of choice." These companies had received acclaim by *Working Mother* and *Forbes* magazines (Source: Stone, 2013).

There is also the issue of the retiring baby boomers to consider. An estimated 78 million baby boomers, many of whom are at senior levels in their organizations, are expected to retire in the upcoming years. This, combined with the much smaller Millennial generation entering the workforce, will lead to a shortage of qualified professionals in the workplace. Finally, when employers lose female employees, they not only lose market share (as discussed earlier), they lose unique talent. Women also frequently possess stronger leadership qualities than men, such as empathy, flexibility, and communication skills. Women have much to contribute to the workplace, and HR and talent management professionals should take steps to ensure their workplaces attract, retain, and develop them and that key leaders understand that doing so is a strategic priority.

## What HR and Talent Management Professionals Can Do

### 1) Offer flexibility.

Offering flexibility is essential in today's workplace, and not just for women. A recent Moms Corp survey found that 79 percent of working adults agree that flexibility is now one of the most important factors they consider when looking for a new job (O'Kelly, 2013). Flexibility comes in many different shapes. Flexibility can be offered at the micro level—allowing employees to work core hours (between 10:00 a.m. and 4:00 p.m., for example), with remote and flexible hours beyond that. It can also be offered by the day, week, or month.

Another form of flexibility is having the ability to ramp down and then ramp up again. Booz Allen, for example, created a reserve workforce called the Adjunct Program. It allows their high performers to “ramp down” to as little as a few days a month to work on a project-by-project basis for as long as two years. This allows participants (who are both women and men) to stay in the workforce and to keep their skills sharp until they are ready to “ramp up.” This program keeps high performers with Booz Allen (Marquez, 2007).

Flexibility is a key component in making *Working Mother's* top 100 list. Some of the top companies on the list go above and beyond daily and weekly flexibility. At business consulting firm Rothstein Kass, for example, most employees can take four extra months off annually with partial pay and full benefits. McKinsey & Company allows consultants to take five to 10 additional unpaid weeks off per year between



consulting assignments. Audit and accounting services firm McGladrey offers employees a FlexYear program where they can work full time for part of the year and a reduced schedule for the rest of the year—or take unpaid time off.

## 2) Offer family-friendly benefits and encourage all employees to use them.

*Working Mother's* 100 Best Companies excel at offering family friendly benefits. All of the top companies named to the list offer flextime and telecommuting to their employees, versus slightly over half of all U.S. companies. One hundred percent of *Working Mother's* 100 Best Companies offer paid maternity leave, versus 16 percent of the rest. Top companies also offer adoption assistance (94 percent vs. 11 percent of the rest), job sharing (85 percent vs. 10 percent), paid sick leave (96 percent vs. 34 percent), back-up childcare (85 percent vs. 4 percent), and paid paternity leave (83 percent vs. 15 percent). Best companies also offer paid adoption leave, on-site lactation rooms, and lactation services.

## 3) Develop an organizational culture that makes work-life balance not only an expectation, but a reality.

As Pamela Stone and others have observed, it is not enough to have the policies in place to encourage flexibility and work-life balance. They mean nothing if the company's culture stigmatizes those who take advantage of them. In many workplaces there is a real disconnect in the policies and practices as articulated in the employee handbook and in what employees actually experience.

One way to address the gap is manager training. Companies often leave the decision of who is eligible to work a flexible schedule or to telecommute to managers who may be resistant to change or who lack the tools to effectively manage people remotely. Training can also include how managers should treat each situation uniquely (to avoid a "one size fits all" mentality) and a focus on building a team culture based on trust and reliance among all employees while still ensuring business objectives are met. This "got your back" mentality helps to support all employees, particularly those who need more accommodations. Another practice is to encourage top managers and senior leadership to lead by example. Employees are much more likely to take maternity and paternity leave if they see leaders using these benefits without derailing their careers.

Ernst & Young recognized the disconnect when it saw that their new fathers were taking only two weeks of paternity leave even though they were entitled to six weeks of paid paternity leave. To help fix the culture, they recently announced the launch of a new program, Career and Family Transitions, which will offer coaching to all employees (male and female) who are adding a child to their family either by birth or adoption. The program will also offer coaching to managers of these employees (Belkin, 2013).

#### 4) Actively develop women as leaders.

Cheryl Carleton, an assistant professor of economics at Villanova University, proposes five ways to advance women as leaders in organizations:

1. **Ensure accountability.** Managers should be held accountable for the amount of diversity on their teams by tying their salaries and performance evaluations to diversity levels.
2. **Measure and reward invisible work.** Women often play supportive, collaborative roles in organizations. These are important, but often overlooked attributes. Employers should make sure people are recognized for the valuable but often invisible work they do. If this work is never acknowledged, employees—mostly women—in these roles will never be promoted.
3. **Rethink scheduling.** Offer the flexibility men and women want.
4. **Address culture.** All the policies and programs are wasted if the organizational culture discourages their use.
5. **Be an example.** Women are often leery of taking advantage of maternity and flexible leave because they fear being labeled as “Mommy.” Senior leaders must set the example and participate in leave programs (Carleton, 2013).

More companies are also fostering women leaders by assigning sponsors to high-potential women. Sponsors can actively champion women and move them up the career ladder. HR and talent management professionals can also monitor retention and promotion rates for female and male employees and report on the use of flexible programs and other family-friendly policies. This increased transparency is important not only in terms of accountability, but also in signaling to all employees the importance of retention, promotion, and flexibility in the company’s culture.

### ***Working Mothers Editors' Top Practice Picks***

*Working Mother* magazine's editors sifted through the magazine's 100 Best Companies and found some of the more creative ways these companies help their employees manage their families and careers.

- **Flex Your Year:** Some of the best companies go beyond daily and weekly flex. At Rothstein Kass, most employees can take four extra months off annually with partial pay and full benefits, while McKinsey & Co.'s Take Time program allows consultants to take five to 10 additional unpaid weeks off per year between consulting engagements (more than 6 percent of eligible employees signed up in the first six months). McGladrey's FlexYear option allows employees to work full-time for part of the year and a reduced schedule for the rest, or take unpaid time off. The company requires all partners and principals with 10 years of service to take a paid sabbatical every five years.
- **One Small Thing:** Small changes can have a big impact. Deloitte's Small Things, Big Difference program promotes work-life conversations within teams. If someone wants a night off during the busy season, an earlier start time so she can get kids from school in the afternoons, or reduced travel, the team works together to figure out how to make that change possible.
- **Hiring Time:** JPMorgan Chase & Co., which has a special recruiting team focused on hiring veterans, helped establish the 100,000 Jobs Mission, a partnership of major employers that aims to hire 100,000 transitioning service members and military veterans by 2020. Joining the banking giant are 16 more of this year's Best Companies including Accenture, AstraZeneca, Bristol-Myers Squibb, CA Technologies, Cisco Systems, Deloitte, EY, Genentech, HP, IBM, Intel, Johnson & Johnson, Merck, MetLife, TIAA-CREF, and Verizon Communications.
- **Get Happy:** LEGO Systems measures employee satisfaction with the "Happometer," which emphasizes that happiness increases when work is meaningful and valuable—not when work hours increase. *(Continued...)*

### ***Working Mothers Editors' Top Practice Picks (...continued)***

- **Going Green:** Arnold & Porter has a “garden room” in each of its offices where employees can gather for refreshments at the end of the day. Each office also features its own special events such as weekly breakfast treats or wine and appetizers on Fridays.
- **Score!:** In Takeda’s Innovation Room, employees connect over ping pong, video games, board games—and, of course, whiteboards.
- **Cut the Commute:** Because driving to work alone takes a toll on the environment *and* on commuters’ nerves, Herman Miller encourages bike riding with \$100 reimbursements toward a bike or biking supplies. The company also helps those who don’t want to commute alone by matching them up with others who want to carpool or bike-pool. SC Johnson provides a vanpool program and subsidized Amtrak train service for employees traveling to its Racine, Wisc., headquarters. University of Wisconsin Hospital and Clinics employees enjoy a complimentary city-wide Madison bus pass and free membership in a hybrid-car-sharing program.
- **It’s a Date:** At WellStar Health System, employees set their own schedules up to five weeks in advance using remote scheduling, which makes it easier to compare their home and work calendars.
- **Out of Office:** Johnson & Johnson’s “email-free weekends” policy, applied in several locations, discourages sending or answering online messages (unless business-critical) until Sunday night.
- **Date Night:** Parents at Yale University can use its free online Yale Babysitting Service, which links them to 1,400 student sitters—many of whom are available for last-minute requests. Meanwhile, Genentech’s child care centers host regular date nights that allow parents to drop off their kids and go out for grown-up time.

Source: *Working Mother* magazine  
(<http://www.workingmother.com/content/editors039-picks-2013-working-mother-100-best-companies>).

Some companies are also actively grooming female managers by launching leadership training geared specifically to them. Time Warner, for example, launched its Breakthrough Leadership Program in 2003. It is a four-day program for talented female vice presidents and senior vice presidents. The program includes time with the company's chairman and CEO and other senior leaders, executive coaching, negotiation, and leadership presence.

## Conclusion

**T**raditional workplaces have been slow to accommodate women. As a result, record numbers of women are leaving the labor force, a trend that is detrimental to women and organizations. It is possible, with the right programs, policies, and organizational cultures, to not only retain high-potential women, but to develop them to be organizational leaders.

***“My career is a three lane highway. There are times when I will want to be in the slow lane, times when I want to go in the middle lane, and times when I want to go in the fast lane. Just make sure you put your turning signal on. It is important to communicate which lane you want to be in.”***

– Catherine Langreny,  
Country CEO Tanzania, Lafarge  
as reported in the ICEDR Special Report, *Taking Charge*.