

McKinsey&Company

**MCKINSEY GLOBAL INSTITUTE
MCKINSEY & COMPANY CANADA**

THE POWER OF PARITY: ADVANCING WOMEN'S EQUALITY IN CANADA

JUNE 2017

EXECUTIVE SUMMARY



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.

The partners of McKinsey & Company fund MGI's research; it is not commissioned by any business, government, or other institution. For further information about MGI and to download reports, please visit www.mckinsey.com/mgi.

In collaboration with McKinsey & Company

McKinsey & Company is a global management consulting firm, deeply committed to helping institutions in the private, public, and social sectors achieve lasting success. For more than eight decades, our primary objective has been to serve as our clients' most trusted external advisor. With consultants in 124 cities and 63 countries, we bring unparalleled expertise to clients across all relevant industries and functions, anywhere in the world. We work closely with teams at all levels of an organization to shape winning strategies, mobilize for change, build capabilities, and drive successful transformation and lasting improvements.

McKinsey & Company Canada is deeply rooted in the country's socioeconomic landscape and has offices in Toronto, Montreal, Calgary, and Vancouver.

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 2015 and 2016, McKinsey released research reports on Women in the Workplace with LeanIn.Org, as part of a five-year partnership on a comprehensive study of the state of women in corporate America. In the fall of 2015, MGI published *The power of parity: How advancing women's equality can add \$12 trillion to global growth*, a global report on the economic benefits of advancing women's equality in 95 countries.

This Canadian report is based on MGI's *The power of parity* and McKinsey's Women Matter research, as well as comprehensive, Canadian-focused research and analysis.

THE POWER OF PARITY: ADVANCING WOMEN'S EQUALITY IN CANADA

JUNE 2017



Sandrine Devillard | Montreal

Tiffany Vogel | Toronto

Andrew Pickersgill | Toronto

Anu Madgavkar | Mumbai

Tracy Nowski | Washington, D.C.

Mekala Krishnan | Boston

Tina Pan | Toronto

Dania Kechrid | Toronto

PREFACE

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 built a case for greater representation of women in top management positions and explored concrete ways to change corporate attitudes toward women in the workplace. The challenge of inclusive growth is a theme that MGI has explored in many reports, and gender inequality is an important part of that picture. McKinsey has also committed publicly, through the United Nations' HeforShe initiative and the 30% Club, to ambitious gender goals for our own firm over the next five years. McKinsey's global managing partner, Dominic Barton, is one of 47 US chairpersons and CEO members who have publicly committed to greater gender equality at all levels. McKinsey works with UN Women and LeanIn.Org in several ways and has a range of internal programs to drive this agenda. In 2015 and 2016, McKinsey released research reports on Women in the Workplace with LeanIn.Org, as part of a five-year partnership to study the state of women in corporate America.

Women's inequality is a pressing human issue that also has significant ramifications for jobs, productivity, GDP growth, and inequality. In September 2015, MGI published a global report, *The power of parity: How advancing gender equality can add \$12 trillion to global growth*, to explore the economic potential of achieving gender parity and to map the gender gaps in countries around the world. Over the course of 2015 and 2016, MGI has published deep dives into gender inequality in India, the United States, and the United Kingdom.

This report builds on the bodies of research from McKinsey's *Women Matter* and MGI's *The power of parity*, positioning efforts to improve gender equality in the context of Canada's changing economy and future needs for productivity and growth. Although Canada has made great progress toward improving the social and economic opportunities for women, challenges remain in addressing a number of areas of inequality across both work and society. In analyzing this issue for Canada, we hope to help business leaders chart the way to achieving greater gender diversity within their corporations and support all stakeholders, including policy makers, in devising effective interventions that promote equitable growth and broad-based prosperity.

As part of the research for this study, we conducted a corporate gender diversity survey among Canadian-headquartered companies: 69 companies employing more than 470,000 employees shared their talent pipeline data, and 68 companies employing more than 520,000 employees completed a survey of human resources practices. From these participating companies, more than 3,000 employees also completed a survey designed to explore their experiences regarding gender, opportunity, career, and work-life issues. To compare and corroborate these results, the same employee experience survey was also taken by 1,000 Canadian adults in the general population. We would like to thank these companies and individuals for participating in the study—their information and insights offer new visibility into the state of Canadian women in the workplace and the steps that companies can take to achieve gender equality. In particular, we want to acknowledge Young Presidents' Organization (YPO) Canada for facilitating the survey amongst its members. We are also grateful to LeanIn.Org, Dr. Marianne Cooper, and Dr. Ellen Konar, who co-developed the employee experience survey with McKinsey Partners Alexis Krivkovich and Lareina Yee as part of McKinsey's Women in the Workplace initiative.

This research was led by Sandrine Devillard, a Senior Partner in Montreal; Tiffany Vogel, an Associate Partner in Toronto; and Andrew Pickersgill, Managing Partner, Canada. Anu Madgavkar, a MGI Partner in Mumbai; Tracy Nowski, an Associate Partner in Washington, D.C.; and Mekala Krishnan, a consultant based in Stamford, advised on the work. The project team comprised consultants in Toronto—Katharine Berger, Darren Cole, Dania Kechrid, Tina Pan, Kate Riley, and Alicia Sikiric.

We would like to thank the Canadian partnership for leading corporate outreach for this study. We received valuable guidance from Kweilin Ellingrud, a Partner in Minneapolis, and Andrea Yandreski, an RTS Senior Vice President in Toronto. This work also benefited from the input of a number of consultants: Anais Gohl, Julie Norseen, and Alix de Zelicourt. Many thanks to experts on diversity and women's economic empowerment who shared their perspectives with us: Janet Bannister, Eytan Bensoussan, Tanya van Biesen, Dr. Susan Black, Caroline Codsí, Dr. Imogen Coe, Dr. Beatrix Dart, Leslie Wood, Jennifer Murtagh, Jennifer Reynolds, Christina Rupsingh, Tina Strehlke, and Despina Zanganas.

Special thanks go to McKinsey Canada and MGI's support teams, who provided crucial support for this work. We would like to thank editors Janet Bush, Jo Coughlin, Jennifer Iles, Tara Murphy, and Sarah Smith; Manas Anand, Rajan Garg, Carlos Hernandez, and Antonin Machacek in the Survey Development Center; Rebeca Robboy and Steffi Langner in external communications and media relations; Julie Philpot, editorial production manager; Marisa Carder, Bryan Cullen, Jason Leder, and Margo Shimasaki, media and graphic designers; Claire Fiset, translation specialist; and Sugandh Tibrewal, data analyst, for their help.

Sandrine Devillard

Senior Partner, McKinsey & Company Canada
Montreal

Andrew Pickersgill

Managing Partner, McKinsey & Company Canada
Toronto

Jacques Bughin

Director, McKinsey Global Institute
Brussels

James Manyika

Director, McKinsey Global Institute
San Francisco

Jonathan Woetzel

Director, McKinsey Global Institute
Shanghai

IN BRIEF

THE POWER OF PARITY: ADVANCING WOMEN'S EQUALITY IN CANADA

- Advancing women's equality in Canada has the potential to add \$150 billion in incremental GDP in 2026, or a 0.6 percent increase to annual GDP growth. That is 6 percent higher than business-as-usual GDP growth forecasts over the next decade. Put another way, this figure is equivalent to adding a new financial services sector to the economy. Each province stands to gain between 0.4 and 0.9 percent each year, with the most potential growth in British Columbia, Ontario, Prince Edward Island, and Quebec.
- The most important levers for growth are adding more women to high-productivity sectors such as mining and technology, and raising women's labour force participation from 61 to 64 percent. Each lever accounts for 42 percent of the impact. Another 16 percent comes from increasing women's working hours by 50 minutes a week.
- Canada is amongst the global leaders in women's equality. MGI's global research in 2015 ranked Canada in the top ten of 95 countries based on a review of 15 equality indicators in work and society. Canada leads the United States and lags only a few of the Nordic, Western European, and Oceanic countries. However, progress toward gender parity has stalled over the past 20 years, and Canada must find new ways to keep pace. Data on many indicators have shown little improvement and, at current rates, gender gaps could take 30 to 180 years to close.
- The gender gaps are most significant in seven indicators: women represent 35 percent of managerial positions, 28 percent of science, technology, engineering, and mathematics (STEM) graduates, 23 percent of STEM workers, 20 percent of small business owners, and 29 percent of elected officials, but they take on 64 percent of unpaid care work in the home and represent 80 percent of single parents. Results are largely homogeneous across provinces and cities, pointing to common priority areas for action for the nation and for organizations.
- Survey results clearly show that, in corporate Canada, women are less likely than men to be promoted to the next level at almost every stage of their careers. Promotion from director to vice president is a particular bottleneck, where men are three times more likely to advance than women. The loss of female talent along the pipeline is not due to lack of ambition or higher attrition—women aspire to promotions at a similar rate and actually leave at a lower rate than their male counterparts.
- Corporations need to embrace a holistic set of initiatives while focusing on implementing them well and sustaining the efforts over time. In Canada, best-in-class companies use five initiatives to drive progress:
 1. **Go beyond a vocal commitment to diversity by cascading a clear business case for change.** More than half of companies consider gender diversity a top ten strategic priority, but only 14 percent have clearly articulated a business case for change.
 2. **Set targets, track performance, share results, and hold leaders accountable.** Fifty-five percent of companies lack targets for female representation, and 75 percent do not track female recruitment nor reward leaders for fostering gender diversity.
 3. **Create formal sponsorship programs to help promote women.** Men are 50 percent more likely to attribute their advancement to a senior leader than women are, yet 80 percent of companies lack a formal sponsorship program.
 4. **Make flexibility compatible with promotion.** Most companies offer long-term leave or part-time programs, but 58 percent of employees believe that taking advantage of them hurts their career progression.
 5. **Raise awareness of, and combat, unconscious bias to create a truly inclusive environment.** Women comprise only one-quarter of senior leaders, but 80 percent of employees think their company is inclusive.
- Gender equality in work is linked with gender equality in society—the former is not possible without the latter. To progress on the latter, all stakeholders, including government, corporations, not-for-profit organizations, educational institutions, media, and individuals, could undertake a portfolio of initiatives in five priority areas for action in Canada: namely, removing barriers against women entering STEM fields; enabling more women to be entrepreneurs; reducing gender inequalities in child care and unpaid care work; amplifying women's voice in politics; and reducing gender bias and reshaping social norms. Engaging men as well as women and collaborating across organizations and sectors to tackle entrenched attitudes will be one of the most difficult but critical keys to success, ensuring Canada's continued position as a global leader on women's equality.



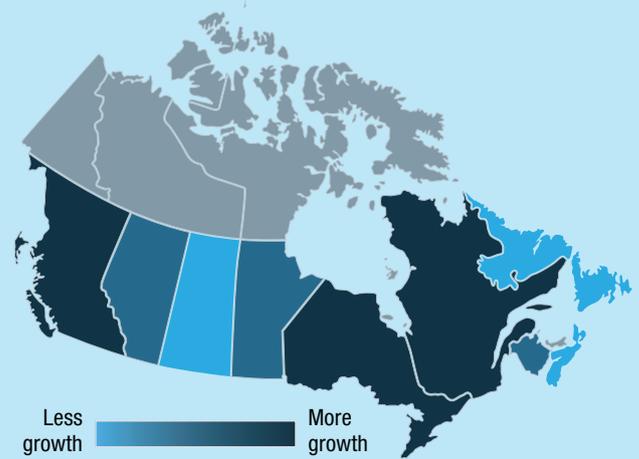
ADVANCING WOMEN'S EQUALITY IN CANADA

THE OPPORTUNITY FROM CLOSING THE GENDER GAP

+\$150 billion to forecast 2026 GDP

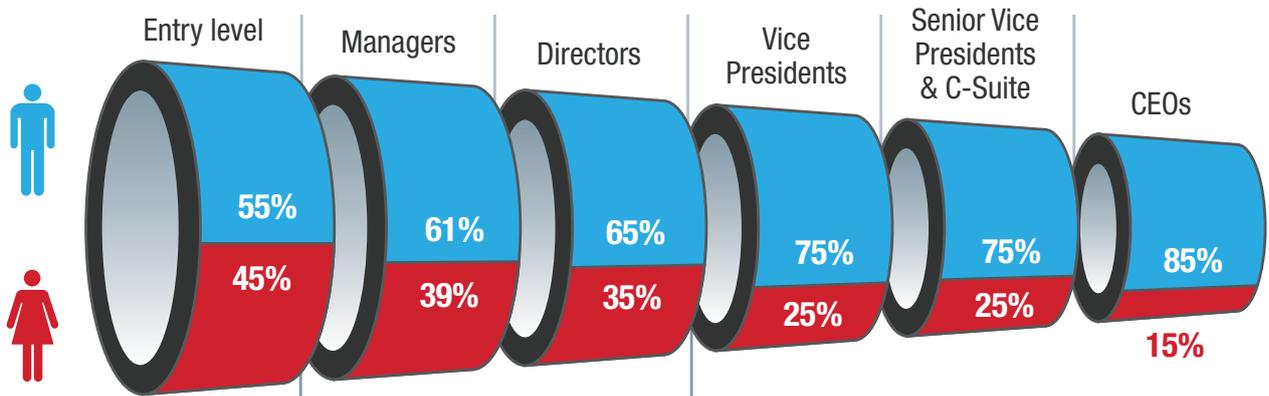
+0.6% incremental GDP growth annually

+0.4–0.9% for each province annually



KEY AREAS TO PRIORITIZE

... within corporations



Women are:

30% less likely to be promoted from entry level to manager

60% less likely to go from director to vice president

... in the economy and society at large

STEM occupations



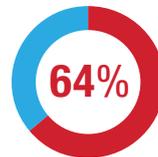
of jobs in STEM (science, technology, engineering, math) fields are women

Entrepreneurship



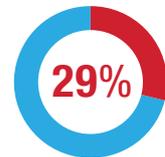
of small- and medium-sized enterprises are majority-owned by women

Share of unpaid care work



of unpaid care work in the home (child care, elderly care, and housework) is done by women

Political Seats



of federal and provincial/territorial elected officials are women



FOUR GAME-CHANGERS TO MAKE CANADA A LEADER

- 1 Commit to equality, grounded in the economic case
- 2 Set targets, be accountable for them
- 3 Implement change holistically
- 4 Do the hard work of changing mindsets



EXECUTIVE SUMMARY

In common with many other advanced economies facing demographic headwinds as population growth slows, Canada's economic growth prospects are concerning. There is a growing consensus that without new ways of promoting growth and productivity, GDP growth will probably continue to stagnate and possibly even “slow to half the rate of the past 50 years.”¹ A significant part of the solution is for Canada to tap into the vast unrealized potential of women. Accelerating progress toward gender equality is not only a moral and social imperative; it would also deliver a growth dividend.

Over the past decade, Canada's GDP growth has slowed to approximately 2 percent a year, compared with 3 to 4 percent in the previous decade.² The Canadian Federal Minister of Finance's Advisory Council on Economic Growth attributes this to a combination of shifting demographics, notably an aging national population, and weaker global demand for Canadian products. Canadian workers' productivity is also about 20 percent below that of American workers, which makes it more difficult to accelerate growth.³

In 2015, the McKinsey Global Institute (MGI), the business and economics research arm of McKinsey & Company, found that advancing women's equality could add US \$12 trillion opportunity to the global economy in 2025. Every region studied has the potential to increase its GDP by 8 to 16 percent over the next ten years. No region has yet achieved gender parity; countries' distance from full parity varies widely. MGI used 15 economic and social indicators to compile a Gender Parity Score or GPS where 1.00 equals full parity. Norway leads the world with a score of 0.79; in comparison Canada stands in the top ten countries with a score of 0.75. Canada is amongst the global leaders but still has a substantial gender gap—and this offers a considerable economic opportunity.⁴

Canada is well-positioned to make progress on gender inequality and reap the social and economic awards. It is the world's tenth largest economy and a vibrant, multicultural democracy.⁵ In 2016, women made up more than 50 percent of the working-age population (15 years and older). Canada's women are abundantly qualified to work, holding 53 percent of all advanced degrees (bachelor's or higher).⁶ Moreover, according to a recent International Labour Organization/Gallup poll, 77 percent of Canadian women prefer to work at a paid job rather than staying at home. Men share these attitudes; 80 percent of men polled prefer that women work at a paid job.⁷

There is rising momentum in Canada for action to accelerate progress toward gender parity. The federal government and several provincial governments have made gender equality and inclusivity a priority. At the federal level, the Prime Minister's office signalled change by

¹ *The path to prosperity—resetting Canada's growth trajectory*, Advisory Council on Economic Growth, October 20, 2016. Also see *Global growth: Can productivity save the day in an aging world*, McKinsey Global Institute, January 2015.

² *Gross domestic product (GDP) at basic 2007 prices*, Statistics Canada CANSIM table 379-0030, May 1, 2017.

³ *The path to prosperity—resetting Canada's growth trajectory*, Advisory Council on Economic Growth, October 20, 2016.

⁴ *The power of parity: How advancing women's equality can add \$12 trillion to global growth*, McKinsey Global Institute, September 2015.

⁵ *Gross domestic product ranking table (based on nominal GDP of nation-states in 2015)*, The World Bank working paper, 2015.

⁶ *Labour force survey estimates (LFS), by educational attainment, sex, and age group, annual*, Statistics Canada, CANSIM Table 282-0004, January 6, 2017.

⁷ *Towards a better future for women and work: Voices of women and men*, International Labour Organization and Gallup, March 8, 2017.

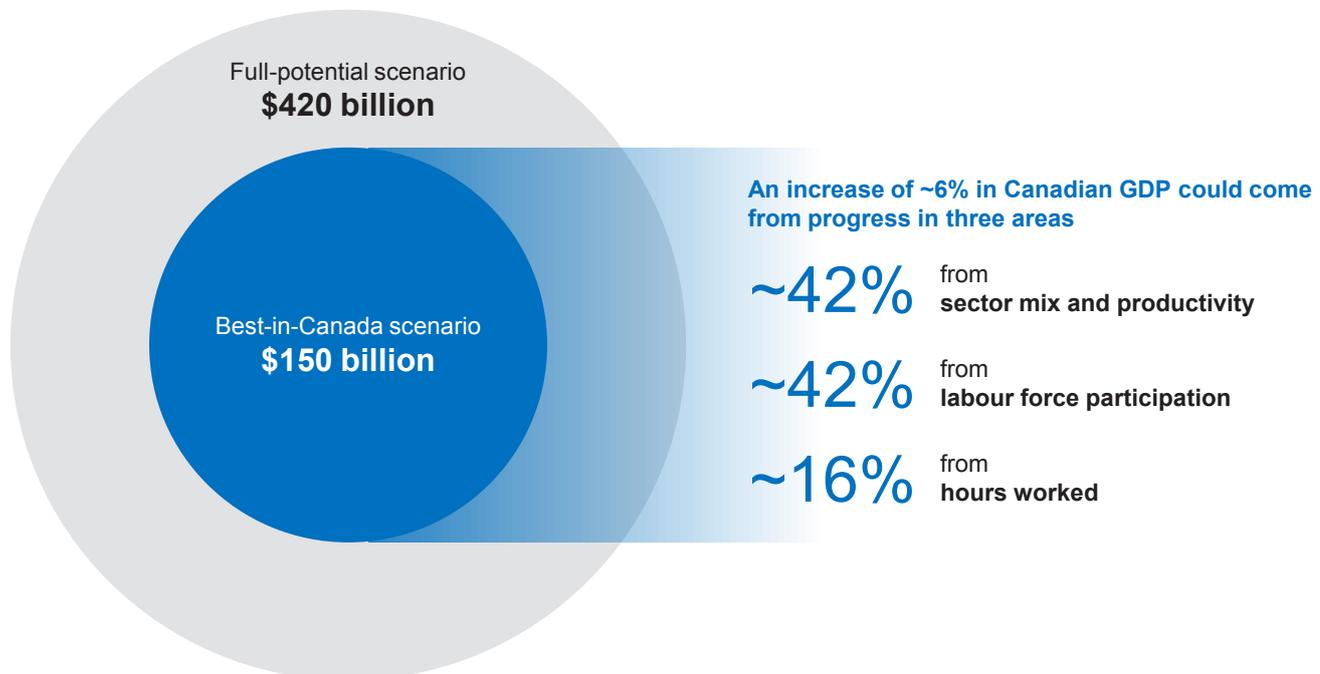
appointing Canada's first gender-balanced cabinet and issuing a gender-based budget in 2017 that specifically addresses women's issues.⁸ The province of Ontario established a working group that is dedicated to closing the gender wage gap and increasing female labour force participation.⁹ The Advisory Council on Economic Growth identified women, particularly women with children under 16, as a possible engine of future growth.¹⁰ In addition, the United Nations has made gender equality a Sustainable Development Goal (SDG), and the UN Global Compact Network in Canada notes that the fifth SDG, which is gender equality, was the single most acted on SDG in Canada in 2017.¹¹

NARROWING THE GENDER GAP IN CANADA CAN POTENTIALLY ADD \$150 BILLION TO GDP IN 2026, AN INCREASE OF 0.6 PERCENT A YEAR OVER THE NEXT DECADE

We estimate that greater efforts to harness the power of women in the economy could boost Canada's annual GDP by \$150 billion in 2026. This is 6 percent higher than current business-as-usual forecasts and a 0.6 percent increase to annual GDP growth over the next decade. To achieve this significant boost to growth would require Canada to pull three key levers: increase women's labour force participation rate; increase the number of hours women work; and raise women's productivity relative to that of men by adding more women to high-productivity sectors. On all three, the economic potential would depend on matching the performance of Canada's best-performing province. Each province could gain between 4 and 9 percent of its forecast 2026 GDP. The largest potential for additional GDP growth lies in British Columbia, Ontario, Prince Edward Island, and Quebec. If Canada were to go even further and close the gender gap completely—so that women and men participated equally in the workforce with the same hours worked and sector mix—Canada could add \$420 billion in 2026 (Exhibit E1).

Exhibit E1

Tackling gender inequality in Canada could add between \$150 billion and \$420 billion to GDP in 2026



SOURCE: McKinsey Global Institute analysis

⁸ Bill Curry and Robert Fife, "Liberals to address women's concerns in first gender-based federal budget," *The Globe and Mail*, March 22, 2017.

⁹ "Ontario Working to Close Gender Wage Gap," press release from Government of Ontario, November 24, 2016, <https://news.ontario.ca/>.

¹⁰ Ibid. Advisory Council on Economic Growth, *The path to prosperity*, October 20, 2016.

¹¹ *SDG survey II*, United Nations Global Compact Network Canada, 2017.

The most important levers for economic growth are increasing female job growth in high-productivity sectors and raising women's participation in the labour force

Increasing women's labour force participation rate and their presence in high-productivity sectors are far and away the most important of the three levers, each accounting for 42 percent of the total estimated \$150 billion impact (Exhibit E2). According to Statistics Canada, Canadian women's labour force participation has been decreasing over the past decade, and it is projected to continue to fall unless demographic trends change. Over the same period, women's presence in high-productivity sectors has stagnated or grown slowly in all but three provinces. If Canada could encourage and enable the participation of women of prime working age (25 to 54) and increase the number of jobs for women in high-productivity sectors at the rate of the best-performing province, it could capture 84 percent or \$125 billion of the \$150 billion total impact.

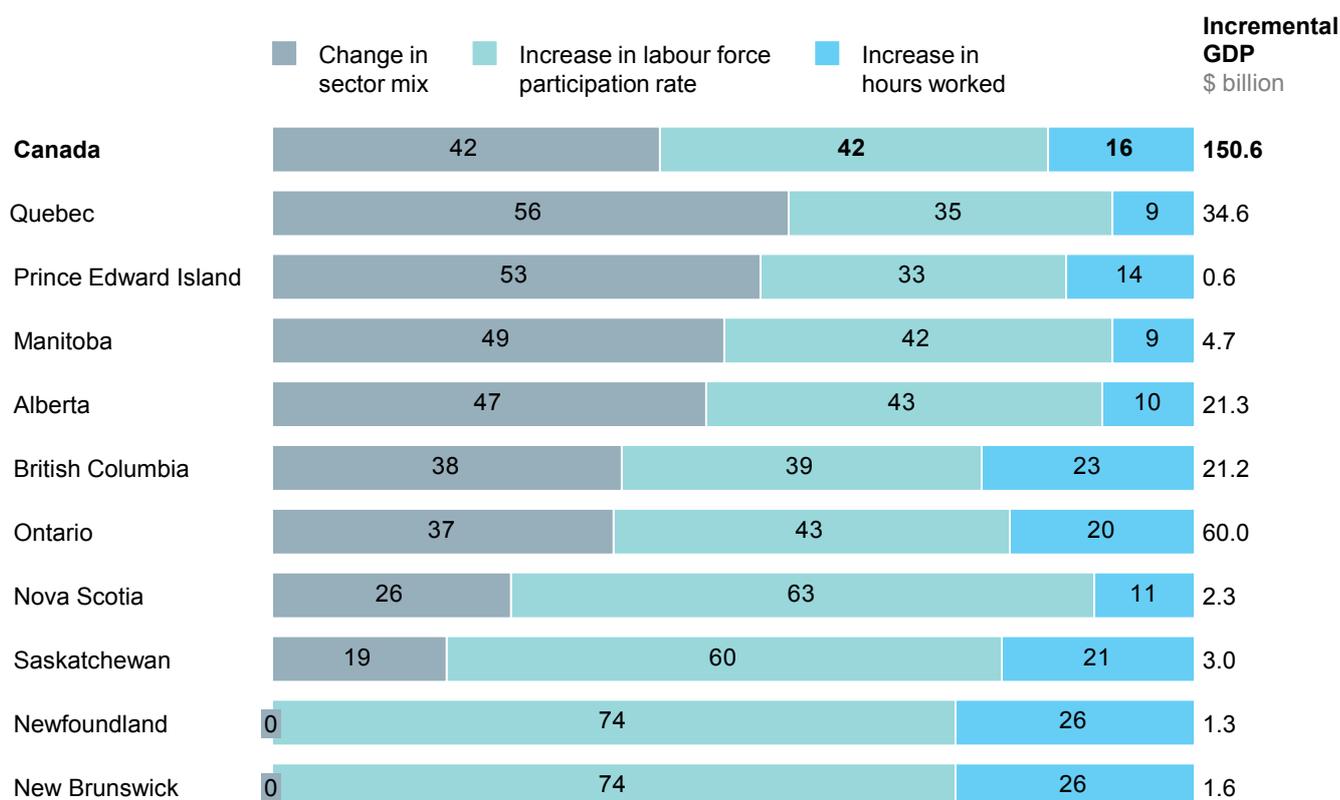
Canada would need to create 600,000 additional jobs for women beyond the currently projected jobs growth to realize this opportunity. These positions would need to be concentrated in highly productive industries such as oil, mining, and technology, which currently employ more men than women. The jobs would also need to be in more specialized skilled service sectors.

Exhibit E2

Increasing women's sector mix and labour force participation are the largest drivers of increased GDP

Incremental 2026 GDP in best-in-Canada scenario vs. business-as-usual scenario

%



NOTE: Numbers may not sum due to rounding.

SOURCE: Statistics Canada; IHS Markit; McKinsey Global Growth Model; McKinsey Global Institute analysis

CANADA IS AMONG THE GLOBAL LEADERS ON GENDER EQUALITY, BUT ITS PROGRESS HAS STALLED OVER THE PAST 20 YEARS

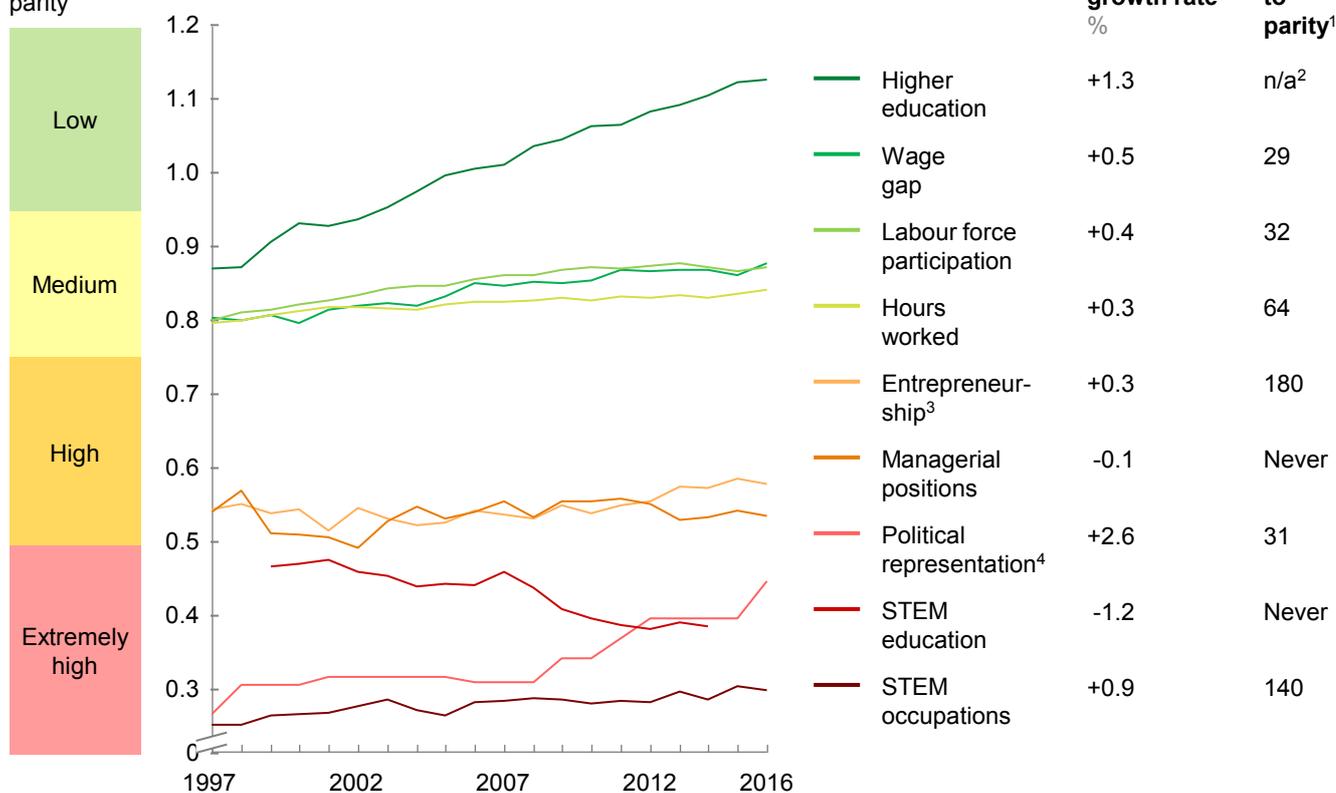
Canada was one of the global leaders on gender equality in MGI's global research, ranking within the top ten on its GPS. Canada's strengths lie in the social sphere where it has largely closed gender gaps in areas such as access to health care, digital inclusion, and legal protection. However, further progress toward gender parity has stalled over the past two decades, notably on making women equal participants in work. For instance, women's representation in the labour force, in high-quality STEM occupations, in management, and among business owners has either improved minimally or not improved at all (Exhibit E3). At current rates, these gender gaps would take 30 to 180 years to close.

Exhibit E3

With the exception of political representation and higher education, progress toward gender parity has largely stalled in the past 20 years

Female-to-male ratio

Level of gender inequality or distance from parity



¹ At current compound annual growth rate.

² Already at parity.

³ Different metric than that used in the indicator results in Exhibit 8. Here a female-to-male ratio of the number of self-employed persons are used, whereas indicator results use the number of small- or medium-sized, majority-owned enterprises.

⁴ Different from indicator results in Exhibit 8 as this only includes federal parliamentary positions and not provincial/territorial legislative positions.

NOTE: Maternal mortality, single parenthood, and teenage pregnancy are not included in the exhibit as they are measured as prevalence rates among women not as female-to-male ratios. Unpaid care work, financial literacy, and violence against women are also not included as consistent historical data was not available.

SOURCE: Statistics Canada; McKinsey Global Institute analysis

Focusing on seven significant gender gaps—across provinces, territories, and cities—could reenergize progress toward gender parity

Canada could reenergize its journey toward gender parity by focusing on its most significant gender gaps. We analyzed data on 15 indicators across four dimensions of gender equality in work and in society at the national, provincial, territorial, and municipal levels. Relative

to the ideal state of full gender equality, the analysis revealed significant inequality in seven areas: STEM occupations; managerial positions; entrepreneurship; unpaid care work; STEM education; single parenthood; and political representation (Exhibit E4).

Exhibit E4

Canada has high or extremely high inequality on seven out of fifteen indicators

Level of gender inequality or distance from parity

■ Low
 ■ Medium
 ■ High
 ■ Extremely high

Equality in work	Gender equality in work	Labour force participation	F/M ratio—employed or looking for work as % of gender aged 15+	0.87
		Hours worked	F/M ratio—average hours worked per week by employees of gender aged 15+	0.84
		Wage gap	F/M ratio—median hourly wage rate by occupation for full-time employees of gender aged 15+ ¹	0.88
		STEM occupations	F/M ratio—employees in a STEM-related occupation by gender aged 15+ ²	0.30
		Managerial positions	F/M ratio—employees in a managerial occupation by gender aged 15+ ³	0.53
		Entrepreneurship	F/M ratio—small- and medium-sized enterprises majority owned by gender ⁴	0.24
		Unpaid care work	M/F ratio—average hours spent on unpaid care work per week by gender ⁵	0.56
Gender equality in society	Essential services and enablers of economic opportunity	Higher education	F/M ratio—individuals with a bachelor's degree or higher by gender	1.13
		STEM education	F/M ratio—individuals graduated from post-secondary STEM ⁶ education by gender	0.38
		Financial literacy	F/M ratio—average financial quiz score by gender ⁷	0.94
		Teenage pregnancy	Prevalence rate—births per 1,000 women aged 15–19	11.01
		Maternal mortality	Prevalence rate—deaths caused by childbirth-related causes per 100,000 live births ⁸	5.77
		Single parenthood	Prevalence rate—% of all families with children headed by single mothers	20%
	Legal protection and political voice	Political representation	F/M ratio—federal and provincial/territorial legislative seats by gender ⁹	0.41
	Physical security and autonomy	Violence against women	Prevalence rate—% of women having self-reported being victims of violent crime ¹⁰	4%

1 As defined by the National Occupational Classification (NOC).

2 Defined as occupations in the natural and applied sciences and related occupations category in the NOC, consistent with the definition used in research by Statistics Canada.

3 Defined as occupations in the management occupations category in the NOC.

4 Small- and medium-sized enterprises are defined as registered business establishments with between 1 and 499 employees, consistent with the definition from Industry Canada. For a business establishment to be included in the sample size, it must meet one of the following criteria: have at least one paid employee, with payroll deductions remitted to the Canada Revenue Agency (CRA), have annual sales revenues of \$30,000, or be incorporated and have filed a federal corporate income tax return at least once in the previous three years. Excluded from the sample population are businesses in the following industrial sectors: public administration, including schools and hospitals; public utilities; and non-profit associations.

5 Unpaid care work is defined to consist of three components: hours spent doing unpaid housework, hours spent looking after children without pay, and hours spent providing unpaid care or assistance to seniors. Average hours are extrapolated from the number of people in each band of number of hours.

6 Defined as the physical and life sciences and technologies; mathematics, computer and information sciences; architecture, engineering and related technologies categories in the Classification of Instructional Programs, Primary Grouping (CIP PG).

7 As part of the Canadian Financial Capabilities Survey conducted by Statistics Canada.

8 Deaths from childbirth-related causes refer to those caused by pregnancy, childbirth, and the puerperium.

9 Federal seats refer to those in the Senate and the House of Commons. Provincial/territorial seats refer those in the provincial and territorial legislatures.

10 Violent crime includes sexual assault, robbery, and physical assault. Includes physical and sexual assault committed by current or former spouses or common-law partners. Data represent prevalence within a 12-month period.

SOURCE: Statistics Canada; Parliament of Canada; McKinsey Global Institute analysis

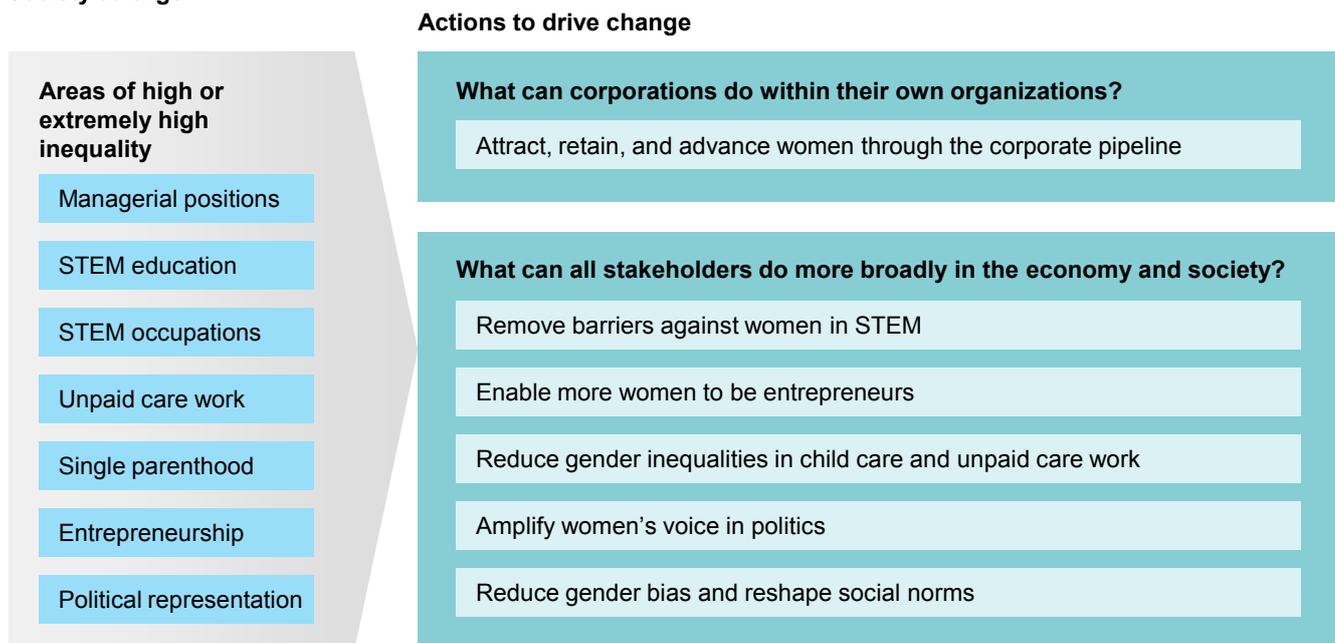
All provinces and major urban centres demonstrated high inequality in the same seven indicators. This homogeneity suggests that there are common areas to prioritize for action at the macro level for the nation and at the micro level for individual organizations. Exceptions to the relatively homogenous picture across the nation were ethno-cultural groups such as the Indigenous and immigrant population. These women are notably more disadvantaged than their non-Indigenous or non-immigrant counterparts, and these population groups may require targeted interventions to move forward.

CORPORATIONS AND OTHER STAKEHOLDERS NEED TO FOCUS CHANGE ON PRIORITY AREAS

To address Canada’s seven areas of inequality and capture significant economic benefits, individual corporations need to improve gender diversity within their organizations. They could concentrate on attracting, retaining, and advancing women through the corporate pipeline. At the same time, all stakeholders need to initiate broad socioeconomic change to advance women in the economy and society in certain key areas: namely, removing barriers against women in STEM fields; enabling more women to be entrepreneurs; reducing gender inequalities in child care and unpaid care work; amplifying women’s voice in politics; and reducing gender bias and reshaping social gender norms (Exhibit E5).

Exhibit E5

Advancing women’s equality in Canada calls for actions to be taken within corporations and in the economy and society at large



SOURCE: McKinsey Global Institute analysis

In corporations, women are not rising to leadership roles despite the fact that there is abundant female talent

Although 53 percent of the degree holders in Canada are female, women are a minority of corporate leaders.¹² A McKinsey pipeline survey of 69 Canadian companies with 470,000 employees found that women make up approximately 45 percent of all entry-level employees but only 25 percent of vice presidents and 15 percent of CEOs (Exhibit E6).¹³

¹² *Labour force survey estimates (LFS), by educational attainment, sex and age group, annual*, Statistics Canada, CANSIM table 282-0004, 2016.

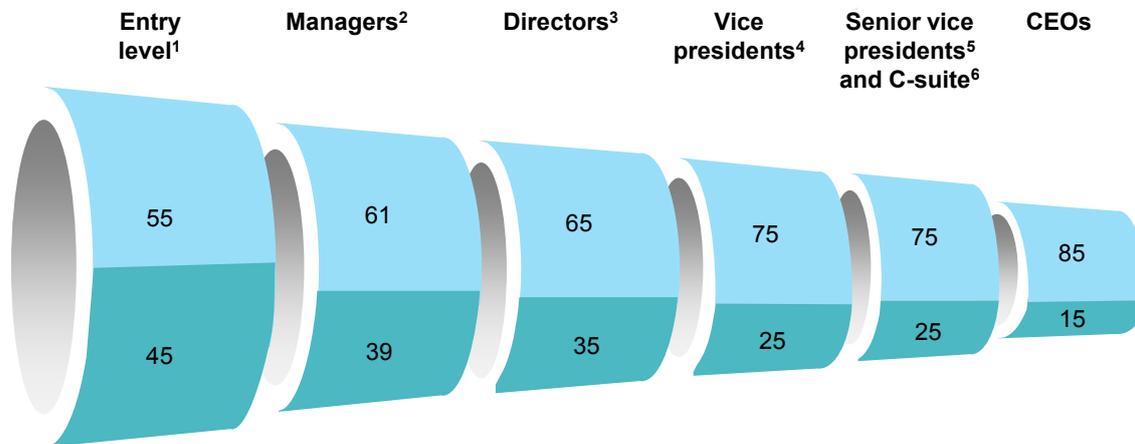
¹³ The sample of 69 companies includes private ones. Because “comply or explain” focuses on public companies, its results show a smaller percentage of women at the executive level (15 percent in 2016).

Exhibit E6

Women are underrepresented at every level of the corporate pipeline, and their presence dwindles as they rise through the ranks

Gender representation in the corporate pipeline
 % of men and women at each level at 69 Canadian companies with 470,000 employees

Men
 Women



1 Entry level: Employees who carry out discrete tasks and participate on teams, typically in an office or corporate setting.
 2 Managers: Employees who have management responsibility over a store or team.
 3 Directors: Seasoned managers with responsibility for multiple teams and discrete functions or operating units.
 4 Vice presidents: Leaders of the organization who report directly to senior vice president.
 5 Senior vice presidents: Senior leaders of the organization with significant business unit or functional oversight.
 6 C-suite: Direct reports to the CEO, or those responsible for company operations and profitability.
 NOTE: These numbers are based on a sample of 69 companies, including private ones. The public disclosure under “comply or explain” shows a smaller percentage of women at the C-suite executive level (15% in 2016).
 SOURCE: McKinsey & Company “Pipeline Survey Canada 2017”, 69 Canadian companies, representing 470,000 employees; McKinsey Global Institute analysis

At almost every stage of the pipeline, women’s likelihood of being promoted to the next level is smaller than that of men’s. A clear bottleneck for female advancement appears to occur between the director and vice president levels, where men are three times more likely to advance than women. The data suggest that the loss of female talent at that stage is not due to higher female attrition; in fact, women leave at a lower rate than their male counterparts. Nor does lack of ambition among women explain the bottleneck; men and women aspire to promotions at a similar rate at all levels from the entry level to the vice president level.

However, the data suggest that women do not have the same opportunities available to them as men. Women predominantly occupy staff positions that provide fewer paths to leadership. They are also half as likely as men to have had a senior leader support their promotion. To create opportunities for women to advance in their careers and ascend to leadership ranks, it is important for companies to support women’s ambitions and for women to commit to the sectors and roles that create paths to leadership.

Improving gender diversity in corporations requires the effective implementation of a holistic change program

McKinsey’s Women Matter research has shown that certain tried and tested initiatives set best-in-class companies apart from the rest. Above all, the research shows that there is no single solution. Instead, the interventions are successful when they are adapted to address each company’s unique pain points and implemented together to create an ecosystem of change over time. Best-in-class initiatives fall within five dimensions (Exhibit E7). We surveyed 68 Canadian companies about their current human resources practices on these five dimensions, and we are proposing pragmatic solutions for increasing women’s representation throughout the corporate pipeline based on these data.

The ecosystem that has been empirically shown to improve diversity comprises five dimensions for action

Dimensions for action



Specific initiatives

- Go beyond a vocal commitment to diversity by cascading a clear business case for change
- Set inclusion targets, track them consistently, share results, and hold leaders accountable to them
- Create formal sponsorship networks to help women navigate promotions at their organizations
- Make flexibility programs compatible with promotions
After leaves of absence, support re-integration of women through formal return-to-work and internship programs
- Increase awareness of unconscious bias with formal training programs
Implement systems to debias recruitment, evaluation, and promotion decisions

SOURCE: Women Matter 2016; McKinsey Global Institute analysis

- 1. Go beyond a vocal commitment to diversity by cascading a clear business case for change.** More than 50 percent of companies surveyed placed gender diversity among their top ten strategic priorities. However, only 14 percent of them have a change story that clearly articulates a business case for change and a path forward. As a result, their lower-tenure employees believe gender equality is a social cause with little link to business performance.
- 2. Set inclusion targets, track performance, share results, and hold leaders accountable.** Half of surveyed companies analyze employee attrition by gender, and 25 percent of them track job applications and offers by gender. But a minority take corrective action when faced with low diversity. For instance, 55 percent have not set targets for female inclusion and 75 percent do not reward leaders for fostering gender diversity within the company.
- 3. Create formal sponsorship networks to help women navigate promotions at their organizations.** Roughly half of the companies surveyed offer leadership training, but only 22 percent have a formal sponsorship program, none of which is tailored to women. Employees rank sponsorship by a senior leader and political savviness at the top of the list of criteria for advancement. Women appear to struggle in these areas. Organizations need to create programs that give women access to sponsors who can advocate for them and ensure access to leadership networks, stretch opportunities, and promotions.

4. Build a flexible work infrastructure that supports both women and men. Women take on most of the unpaid care work at home. As a result, the “double burden” of balancing work and home duties, coupled with companies’ “anytime” performance model that requires unflinching availability and long hours of work, is cited as one of the top three reasons women don’t join, stay, and advance in the workplace. In response to this issue, a majority of Canadian companies offer flexibility programs to their employees. More than 70 percent of companies in our sample provide personal leaves of absence, and 47 percent offer part-time or reduced schedule options. However, 58 percent of employees believe that taking advantage of a flexible program hinders their career progression. Women take advantage of these programs at a much higher rate than men and are therefore more adversely affected. For flexibility programs to support women’s advancement, companies need to make using these programs compatible with promotion. Addressing the unconscious bias behind using these programs will be key to ensure sufficient uptake. The reintegration infrastructure that supports employees’ return to work after extended leave can also be improved. Of the surveyed companies, 41 percent have a program in place, but women with children continue to lag men in leadership roles, despite their aspirations for promotions.

5. Identify and address unconscious bias to create a culture that supports gender diversity. More than 80 percent of employees surveyed believe their workplace is inclusive. However, when asked specifically about the role gender has played in their career advancement, 35 percent of women believe their gender had a role in their missing out on a raise, a promotion, or a chance to get ahead, compared with 15 percent of men. To ensure equal opportunities for advancement, men and women need to first understand and acknowledge their unconscious biases and the underlying mindsets behind these behaviours and attitudes. Companies can build awareness with formal training. Google’s bias-busting initiatives, which include workshops and hands-on sessions, encourage people to recognize and speak out about biases. Organizations can also institute formal systems that prevent biases from affecting hiring and promotion decisions. Less than half of the companies surveyed have structures that address unconscious bias in evaluation and recruiting. Blind résumé screening and formatted interviews can support gender diversity in the recruitment process, while evaluating performance against a diverse set of leadership styles can help promote more women leaders, who tend to have different competencies.

The keys to successful implementation are quality and persistence

Although several of the companies surveyed have launched many of the programs, policies, and processes that we have listed, what appears to have the most impact on outcomes is not the number of initiatives (Exhibit E8). Rather, companies need to ensure high-quality implementation on those initiatives they undertake if they want to create more opportunities for female leaders. They need to engage in initiatives across all five dimensions and remain committed to them for more than five years.

Stakeholders will need to take action in five priority areas, each of which will involve a few key initiatives

Prioritized areas	Potential initiatives	Primary stakeholders		
		Government	Corporations	Other ¹
Remove barriers against women in STEM fields	Post-secondary institutions could consider developing and implementing holistic strategies to attract and retain female students in STEM			●
	Federal and provincial governing and funding bodies could implement voluntary equality and diversity accreditation programs for post-secondary institutions	●		
	Corporations could participate in or lead women-in-STEM initiatives and campaigns that lead to positive change in society		●	
Enable more women to be entrepreneurs	Financial institutions could proactively identify and reach out to female entrepreneurs on their capital needs		●	
	Government could create a matching fund targeted at helping scale high-potential women-led businesses in the early and expansion stages	●		
	The private sector could create a growth fund targeted at providing funding to female-led businesses during the later growth stage		●	
	Government could develop a national association that focuses on skill-building, mentoring, and networking opportunities for female entrepreneurs	●		
	Leading Canadian incubators and accelerators could adopt a targeted approach to attract female entrepreneur applicants			●
Reduce gender inequalities in child care and unpaid care work	Government could adopt parental leave policies that target men	●		
	Government could leverage the learnings from the child-care programs in Quebec and other leading countries when building the National Framework on Early Learning and Child Care	●		
	Corporations could collectively invest in accessible, affordable, and high-quality child care for their employees and the broader community		●	
	Government could further invest in and develop new elder-care policies that improve access to elder-care support	●		
Amplify women's voice in politics	Parents and teachers, along with others, could discuss potential careers in politics with young women			●
	Higher education institutions could create programs to encourage women to engage in political activities and prepare them for political campaigns			●
	Political parties could actively recruit and nominate women in key ridings			●
	Media could publicize statistics and stories about female role models in politics			●
	Governments could create a culture of inclusivity in politics by implementing measures that range from addressing work-life balance to fostering a climate of safety	●		
Reduce gender bias and reshape social norms	Parents, teachers, and not-for-profit organizations could provide programs and campaigns that help young girls and boys address gender attitudes/biases			●
	Media can increase women's visibility and eliminate bias in their portrayals of women and girls			●
	Corporations could undertake public relations and advertising efforts that challenge gender bias		●	

1 Not-for-profit organizations, education institutions, incubators and accelerators, political parties, media, and individuals.

SOURCE: McKinsey Global Institute analysis



Canada has a lot to gain from improving gender equality and maintaining its position among the global leaders. Beyond promoting social fairness, Canada could add \$150 billion to its economy in 2026, and all provinces and the corporations within them have the opportunity to reap the benefits. To realize the growth, a focus should be placed on increasing labour force participation and pointing women toward jobs in high-productivity sections. Corporations, governments, non-profits, educational institutions, and individuals all have a role to play in achieving this. Together, they will need to break down the economic and social barriers that prevent women from participating fully in STEM fields, entrepreneurship, and politics. They will also have to rebalance the burden of unpaid care work across genders, and combat the deep-seated biases that inform attitudes about women. Corporations have the added responsibility of attracting, retaining, and promoting the best female talent throughout their leadership ranks. By committing to change, setting targets, and tackling inequality holistically, Canada could reenergize its economy while becoming a world leader in gender equality.



RELATED MGI AND MCKINSEY RESEARCH

The power of parity: How advancing women's equality can add \$12 trillion to global growth (September 2015)

\$12 trillion could be added to global GDP by 2025 by advancing women's equality. The public, private, and social sectors will need to act to close gender gaps in work and society.

The power of parity: Advancing women's equality in India (November 2015)

This report explains how achieving gender equality in India would have a larger economic impact than in any other region in the world—\$700 billion of added GDP in 2025—but comprehensive change is needed.

The power of parity: Advancing women's equality in the United States (April 2016)

Every state and city in the United States has the opportunity to further gender parity, which could add \$4.3 trillion to the country's economy in 2025.

Delivering the power of parity: Toward a more gender-equal society (May 2016)

Investing in access to essential services and reducing the gap in labor-force participation rates could significantly expand the global economy by 2025.

The power of parity: Advancing women's equality in the United Kingdom (September 2016)

Bridging the gender gap in the United Kingdom could increase GDP by billions of pounds over the next decade and add 840,000 female employees to the workforce.

Women matter

Since 2007, McKinsey's Women Matter research has explored the role women play in the global workplace, their experiences and impact in senior-executive roles, and the performance benefits that companies gain from gender diversity.

www.mckinsey.com/mgi

E-book versions of selected MGI reports are available at MGI's website, Amazon's Kindle bookstore, and Apple's iBooks Store. Download and listen to MGI podcasts on iTunes or at www.mckinsey.com/mgi/publications/multimedia/

All images © Getty Images.



McKinsey Global Institute
June 2017
Copyright © McKinsey & Company
www.mckinsey.com/mgi

 @McKinsey_MGI
 McKinseyGlobalInstitute