



RESEARCH · SEP 23, 2019

Rise of the SHEconomy



Media and social focus on gender diversity, the male-female wage gap and women's role in the workplace has rightly been a key topic in 2019. Corporates and investors are paying attention.

Progress on gender equality, the male-female wage gap and women's role in the workplace has rightly been a key focus in culture and media throughout 2019, particularly the positive linkage between gender diversity and economics.

“Since 2010, the percentage of women executives increased across all developed regions, with the largest gains in Asia with a doubling of participation since 2010. ”



For women, these public discussions have set the stage for greater equality in areas like [education](#), professional advancement, income growth and [consumer power](#). For corporates and investors that embrace these trends, there are numerous benefits, from more nuanced corporate governance and performance to bottom-line growth.

A recent duo of reports from [Morgan Stanley Research](#) approaches this theme from two angles. First, how a growing population of prime working-age women in the U.S.—many single and focused on career—will have greater representation in the labor force, help boost wages and create potentially large tailwinds in a number of consumer products categories.

In a second report, the Quantitative Equity Research team shares a proprietary framework to help investors identify the most gender-diverse companies, which tend to be larger, have better stock returns and skew toward [lower volatility](#).

Combined, the two reports lay out the case that in the coming years, women are positioned to drive the economic conversation from both the inside—as a workforce propelling better company performance—and outside, as consumers powering discretionary spending and GDP.

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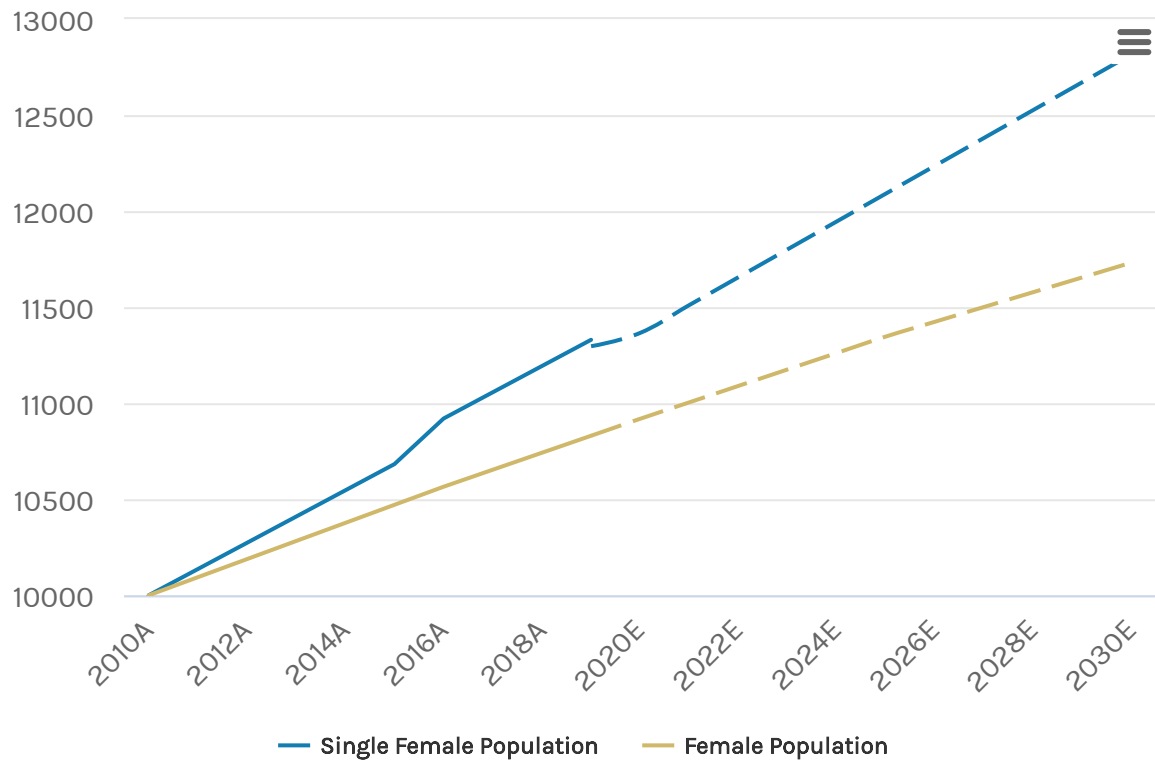
While more women have risen to increased levels of power in recent years, the needle has further to move on compensation equality with their male peers. In 1980, women earned 64 cents for every dollar that men made, according to the Bureau of Labor Statistics; today, the gap has shrunk to between 77 and 85 cents of every dollar. While difference of 23 cents on the dollar is still considerable, the underlying issues have shifted somewhat, with some factors, like educational inequality improving, and others like family caregiving responsibilities beginning to move in the right direction.

“In the past, education or lower-paying occupational choices largely drove the pay gap,” says [Ellen Zentner, Chief U.S. Economist](#). “Today, motherhood is by far the largest contributor to the wage gap, since women who become mothers often choose to stop working or work fewer hours.”

In the coming years, another demographic trend could help further close the pay gap in the U.S.: the rising ranks of single working women. Based on Census Bureau historical data and Morgan Stanley forecasts, 45% of prime working age women (ages 25-44) will be single by 2030—the largest share in history—up from 41% in 2018.

Single women are expected to grow +1.2% annually from 2018-2030 compared with +0.8% for the overall U.S. population

(Female Population Projection, Index 2010=100)

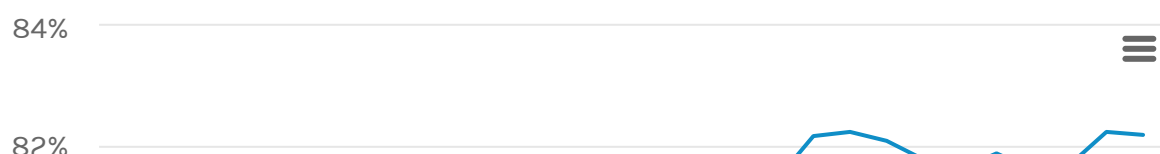


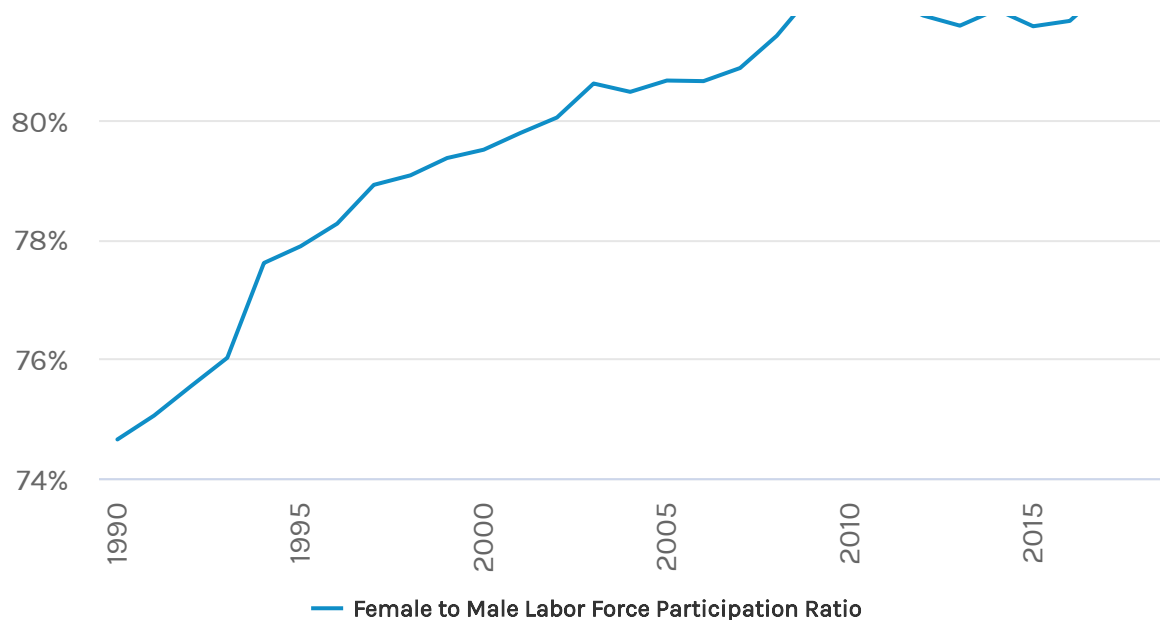
Source: Census Bureau, Morgan Stanley Research

What's driving this trend? For starters, more women are delaying marriage, choosing to stay single or divorcing in their 50s and 60s. Women are also delaying childbirth or having fewer children than in the past.

“These shifting lifestyle norms are enabling more women, with or without children, to work full time, which should continue to raise the labor force participation rate among single females,” says Zentner. Rising labor-force participation rates should put upward pressure on women’s wages and help increase overall [consumer spending](#).

The female-to-male ratio of labor force participation has increased dramatically since 1990, though it has stabilized





Source: Bureau of Labor Statistics, Morgan Stanley Research

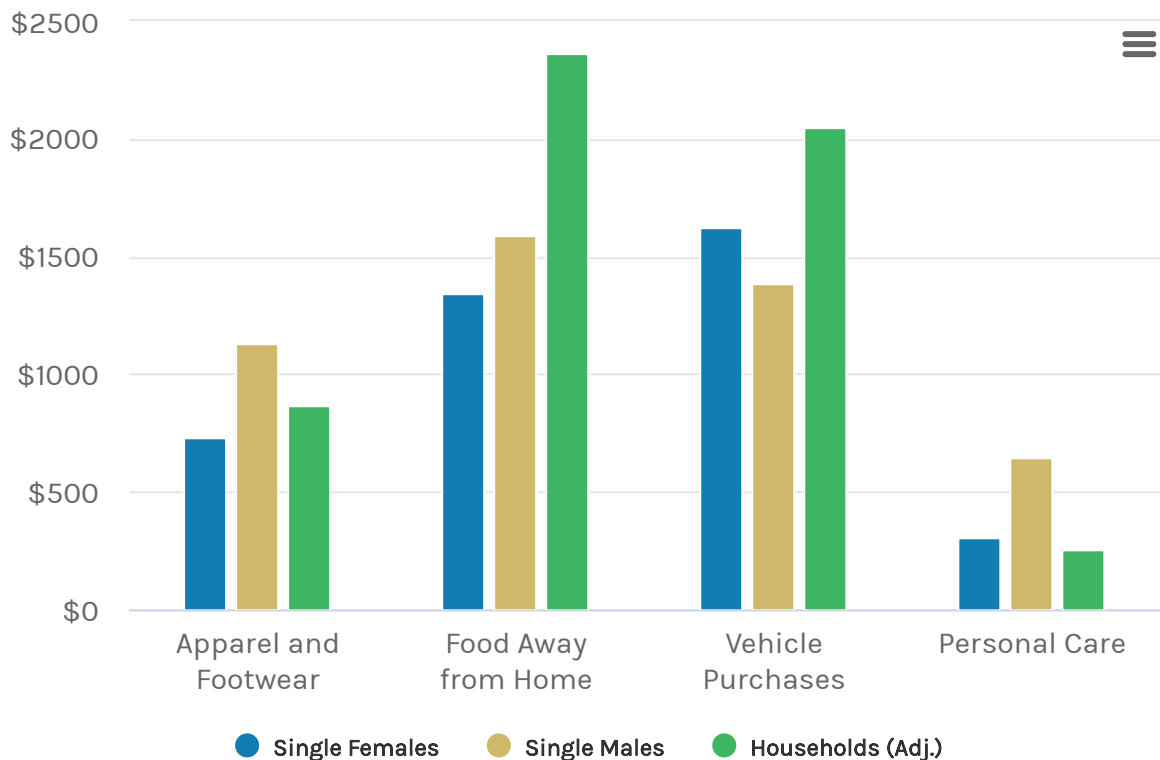
Women Control More Purse Strings

As it stands, women already control a large share of the U.S. consumer wallet. They contribute an estimated \$7 trillion to the U.S. gross domestic product per year, according to the Center for American Progress, and are the principal shoppers in 72% of households, according to consumer surveys conducted by MRI-Simmons.

Meanwhile, women are earning bachelor's degrees at a higher rate than men, and they are the primary breadwinner for nearly 30% of married households and nearly 40% of total U.S. households.

"Because women now contribute significantly more to household income than previous generations and remain the primary shopper for most households, their influence has grown in nature and degree," says U.S. Retail Equity Analyst Lauren Cassel. This is true whether women are single or married, she adds, though spending decisions do vary by relationship status. "We find that single women outspend the average household, shifting spending profiles toward categories most poised to benefit from the demographic growth in single women with rising incomes," says Cassel.

Singles outspent average U.S. households on a per person adjusted basis in several key categories



Source: Bureau of Labor Statistics, Consumer Expenditure Survey, Morgan Stanley Research, 2017

The trend is set to boost segments of the economy where single women historically spend more, including apparel and footwear, personal care, food away from home, and luxury and electric automobiles. (For specific sector and company outlooks ask your Morgan Stanley representative for the full report, “The Rise of the SHEconomy.”)

Women in Global Leadership

The improvement in economic status may also come in part thanks to increasing influence globally in both politics and business. Today, women make up nearly 25% of the U.S. Congress, compared to just 2% in 1970. In the business world, more women than ever are serving as CEOs, board members and in other high-profile positions at top companies.

“While the relationship between the timing and pace of these gains is unclear, the trend does indicate shifting attitudes and norms surrounding women in leadership positions,” [says Jessica Alford](#), who heads Morgan Stanley's Global Sustainability Research team.

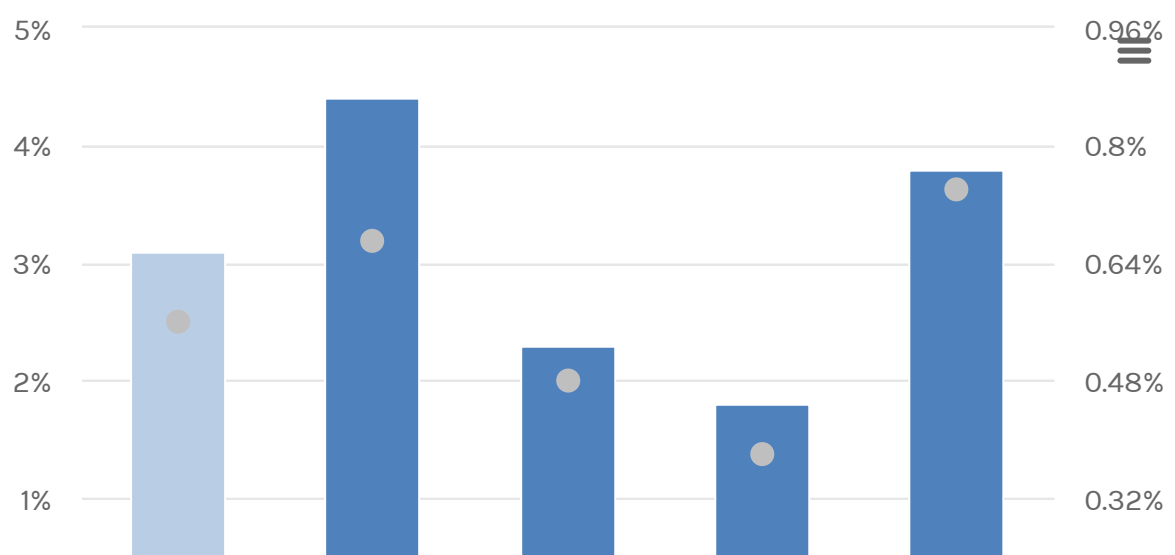
Since 2010, the percentage of women executives increased across all developed regions, with the largest gains in Asia, excluding Japan, with a doubling of participation since 2010. North America and Europe are at similar levels (15% each) both up from 2010. Women have also notched increases in board representation in developed regions, increasing by more than 50% over the same period.

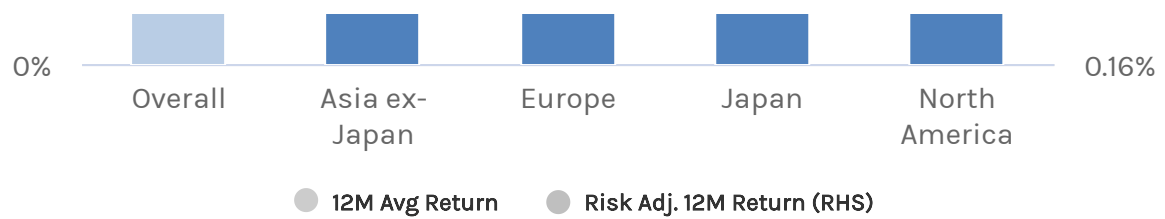
This good news for women is also good business. A growing body of research demonstrates that gender-diverse firms benefit from the experiences and insights that women bring—which can translate into better investment outcomes and returns.

“Our analysis shows that, globally, companies that have taken a holistic approach toward equal representation have outperformed their less diverse peers by 3.1% per year over the past eight years,” says Jaiwish Nolan, a Quantitative Strategist with Morgan Stanley.

Firms that employ higher gender diversity, based on HER Score, have outperformed less diverse peers

(MSCI World: HER Score, Long Short Performance, 1/2011-5/2019)





Source: Refinitiv, FactSet, Morgan Stanley Research; World ex-Japan regions: Average 12M return, top third as ranked by HER Score minus bottom third as ranked by HER Score by region, equally weighted average returns, 2011-5/2019; Japan: Average 12M return, top half as ranked by HER Score minus bottom half as ranked by HER Score by region, equally weighted average returns, 2011-5/2019; Note: Past performance is not indicative of future results.

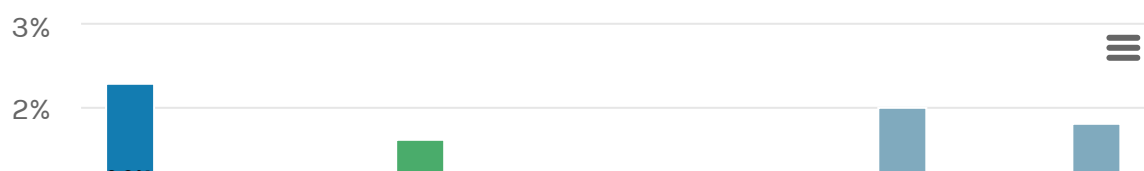
Gauging gender diversity is more nuanced than simply looking at the percentage of female workers. To get a more accurate read, the Quantitative Research team worked with the Sustainability Research team to develop a global framework that helps investors identify the most gender-diverse companies.

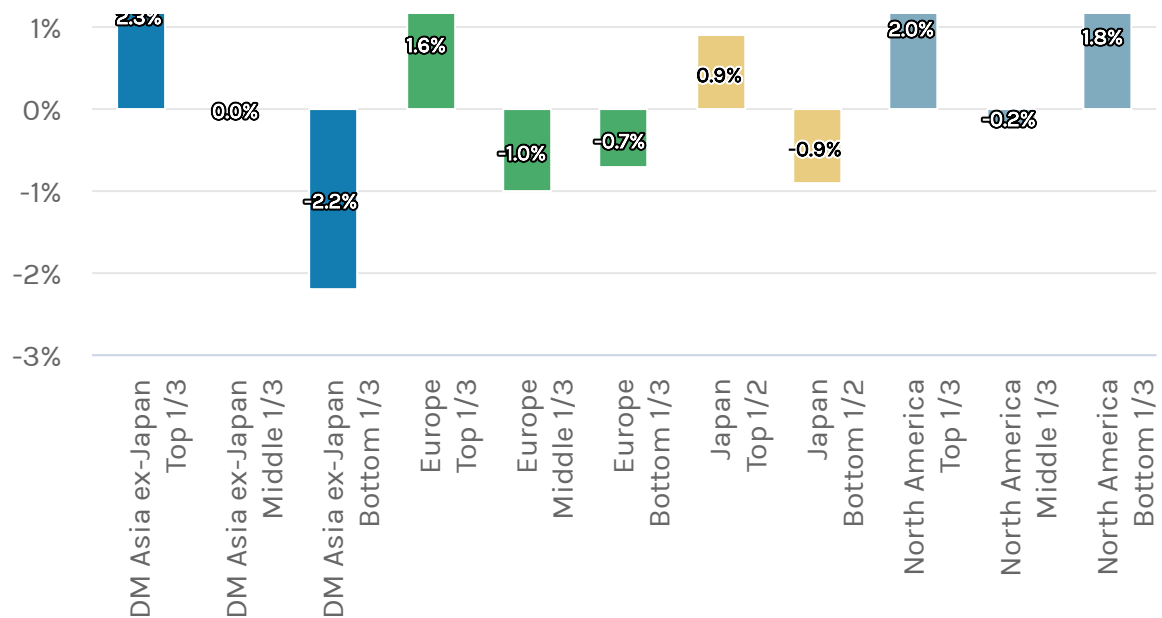
This Holistic Equal Representation Score (HERS) looks at gender diversity from many angles, including the percentage of women who are board members, executives, managers and employees. It also takes into account industry-specific biases and regional differences.

Broadly speaking, companies with a higher HERS tend to be larger organizations and have higher dividend yields, finds Nolan. They also exhibit slightly lower volatility and exposure to risk. Yet, there are some important variations. North American companies that rank high in HERS tend to offer higher return-on-equity, while European and Asian companies tend to have lower ROEs.

Stocks of companies that rank highly on HERS have outperformed over the last 8 years across regions

(MSCI World: Average 12M Excess* Return for HER Score)





Source: Refinitiv, FactSet, Morgan Stanley Research; *Equal weighted average 12M forward return for each fractile of HER score by region versus the excess equal weighted average 12M forward return for the region, 2011-5/2019; Note: Past performance is not indicative of future results.

Even in the face of these industry-related and regional differences, the trend line is clear: Over the past eight years, stocks in more diverse companies have outperformed their benchmarks across the MSCI developed regions—even after controlling for size, yield, profitability and risk.

Whether gender diversity drives better performance or is a reflection of forward-thinking companies, the relationship is likely to become more pervasive, as women play increasingly more prominent roles in the workplace and, in turn, the global economy.

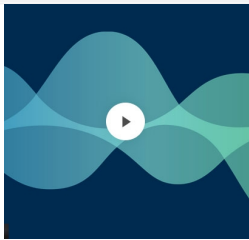
For Morgan Stanley [Research](#) on the SHEconomy, ask your Morgan Stanley representative or [Financial Advisor](#) for the full reports, "Rise of the SHEconomy" (Aug 22, 2019) and "Introducing HERS: Employing Diversity Pays Off (Aug 12, 2019). Plus, more [Ideas](#) from Morgan Stanley's thought leaders.

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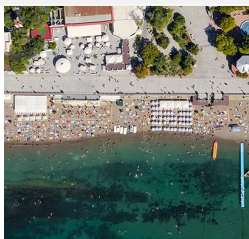
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