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Secretary Reich Glass Ceiling Report

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THE WHITE HOUSE

WASHINGTON

March 14, 1995

Note to: George Stephanopoulos

From: Kitty Higgins

Here is the information you requested on the Glass Ceiling report.

Secretary Reich will release it on Thursday, March 16.

March 13, 1995

To: Kris Balderston

Fr: René A. Redwood RAR
Executive Director

Re: some Findings

The message of this report is it makes sound business sense to be inclusive rather than to divide people out. Breaking glass ceiling barriers improves employment opportunities for all qualified people and insures that they have the opportunity to fulfill their own potential. It also enables business to be more responsive to changing consumer markets and competitive in a diverse global economy.

Among its many findings, the report shows that:

* Glass ceiling barriers at many levels exist for women and minorities (the term "minorities" is a barrier)

* Breaking glass ceiling barriers is good for business

* Breaking glass ceiling barriers is a pocketbook issue

* White males occupy 95-97 percent of top corporate leadership positions.

* Women and minority men are seriously underrepresented in top corporate management even though they comprise two-thirds of the population and 57 percent of the labor force.

* recent dramatic shifts in areas that are fundamental to business survival are reasons cited by corporate leaders for the removal of glass ceiling barriers, and include: changes in the demographics of the labor force; changes in the demographics of national consumer markets; and the rapid globalization of the marketplace

* there are three levels of artificial barriers to the advancement of minorities and women:

1) Societal which may be outside the direct control of business (ie. the difference barriers manifested by stereotyping and prejudice, and supply barriers related to educational opportunity and attainment)

2) Internal Structural Barriers within the direct control of business (ie. outreach and recruitment practices that do not seek women or minorities, corporate climates that alienate and isolate women and minorities, and pipeline barriers that affect opportunity for advancement)

3) Governmental Barriers (ie. lack of vigorous, consistent monitoring and law enforcement, weaknesses of employment related data, and inadequate reporting and dissemination of info relevant to glass ceiling)

* Women and minority males are making progress, but the pace of change is slow

* And even when women and minority men do reach senior executive positions, their pay and compensation often lags behind their white colleagues

* High performing organizations embrace workforce diversity and have programs and policies in place to fully use the talents of all employees

* The report describes 100 employment practices currently used by many organizations that break glass ceiling barriers

* The report contains case studies of three such organizations -- Xerox (winner of the Glass Ceiling Commission's Frances Perkins/Elizabeth Hanford Dole Award), IBM, and Procter & Gamble

To the extent that this report can help people understand the glass ceiling and how its barriers stop talent in its tracks, it will help all Americans achieve the promise this country offers and empower every woman and man to earn their way into the middle class and beyond.

MESSAGE FROM THE CHAIRMAN
SECRETARY OF LABOR ROBERT B. REICH

The term "glass ceiling" first entered America's public conversation less than a decade ago, when *The Wall Street Journal's* "Corporate Woman" column identified a puzzling new phenomenon. There seemed to be an invisible—but impenetrable—barrier between women and the executive suite, preventing them from reaching the highest levels of the business world regardless of their accomplishments and merits. The phrase immediately captured the attention of the public as well as business leaders, journalists, and policy makers. The metaphor was quickly extended to refer to obstacles hindering the advancement of minority men, as well as women.

Thanks to the leadership and vision of Secretary Elizabeth Dole—and that of her able successor, Secretary Lynn Martin— the Department of Labor became closely involved in identifying and publicizing the glass ceiling problem, issuing a *Report on the Glass Ceiling Initiative* in 1991. Senator Robert Dole, who introduced the Glass Ceiling Act in 1991, praised Martin's report, noting that it "confirm(s) what many of us have suspected all along—the existence of invisible, artificial barriers blocking women and minorities from advancing up the corporate ladder to management and executive level positions." He added: "For this Senator, the issue boils down to ensuring equal access and equal opportunity."

The Glass Ceiling Act was enacted with only minor changes as Title II of the Civil Rights Act of 1991. It established the bipartisan Glass Ceiling Commission, with the Secretary of Labor as its chair. And it charged the twenty-one member Commission (itself an appropriately diverse body, in terms of ethnicity, gender, and political affiliation) with a complex mission: to conduct a study and prepare recommendations on "eliminating artificial barriers to the advancement of women and minorities" to "management and decisionmaking positions in business."

The fact-finding report that the Commission is now releasing confirms the enduring aptness of the "glass ceiling" metaphor. At the highest levels of business, there is indeed a barrier only rarely penetrated by women or persons of color. Consider: 97% of the senior managers of Fortune 1000 industrial and

Fortune 500 companies are white; 95 to 97% are male. In Fortune 2000 industrial and service companies, 5% of senior managers are women—and of that 5%, virtually all are white.

The research also indicates that where there are women and minorities in high places, their compensation is lower. For example, African American men with professional degrees earn 79% of the amount earned by white males who hold the same degrees and are in the same job categories. One study found that, more than a decade after they had graduated from the Stanford University of Business School, men were eight time more likely to be CEO's than women.

Nor does the evidence indicate that the glass ceiling is a temporary phenomenon. In fact, the research cited here finds relatively few women and minorities in the positions most likely to lead to the top—the "pipeline." The critical career path for senior management positions requires taking on responsibilities most directly related to the corporate bottom line. But the relatively few women and minorities found at the highest levels tend to be in staff positions, such as human resources, or research, or administration, rather than line positions, such as marketing, or sales, or production. Similarly, most companies require broad and varied experience in core areas of the business to advance—experience of the sort that, even now, too few women or minority men are in a position to develop.

In short, the fact-finding report tells us that the world at the top of the corporate hierarchy does not yet look anything like America. Two-thirds of our population, and 57 percent of the working population, is female, or minorities, or both. Nor, ominously, does the population of today's executive suite resemble the workforce of America's future. Women and minority men will make up 62% of the workforce by the year 2005.

As many of the CEO's interviewed by the Commission observed, this state of affairs is not good for business. Corporate leaders recognize that it is necessary for their business that they better reflect the marketplace and their customers. Their trading partners and customers are becoming more global and diverse. And to succeed in this increasingly competitive environment, they need to attract and retain the best, most flexible workers and leaders available, for all levels of their organization. Narrowing the pool of talent from which they draw is—among other things—a blunder in competitive tactics. Most business leaders know that they simply cannot afford to rely exclusively on white males for positions of leadership.

The facts support their contention that diversity is good for business. A 1993 study of Standard and Poor 500 companies showed that firms that succeed in shattering their own glass ceilings racked up stock-market records that were nearly two and a half times better than otherwise-comparable companies.

Nevertheless, as the report finds, serious barriers to advancement remain—such as persistent stereotyping, erroneous beliefs that "no qualified women or minorities are out there," and plain old fear of change.

The next order of business, then, is to learn from the success stories—to find out the best means of investing in the human assets that together form America's most important productive resource. The Commission's report contains case studies of world-class companies that have boosted profits while effectively eliminating glass ceiling barriers in their organizations. It also identifies some of the factors common to successful corporate initiatives—beginning with high-level commitment and leadership and including corporate-wide accountability.

We need to learn from these lessons and create models of success for all American workers, to demonstrate palpably that hard work and talent will be rewarded and promoted. This is the only way to preserve for the modern age, and to pass on to future generations, the age-old American ethic of work and its reward.

As we have learned through the work of the Glass Ceiling Commission, shattering the glass ceiling both serves our national values and makes our businesses stronger.

America—which has always been a nation containing wide diversity and profound differences—has been bound together by shared promise of expanding opportunity. We cannot allow ourselves to be detoured from the next stage of our national journey. The inclusive values that modeled our past, and the economic imperatives of a challenging future, both require us to overcome the "glass ceiling" that mars the architecture of our economy today.

HIGHLIGHTS OF THE RESEARCH

Over the last decade, 95 to 97 percent of senior managers—vice presidents and above—were men.

Population of the United States
Years 1980, 1990 and 2000*
By Percent

	1980	1990	2000*
White	79.7	75.8	71.8
African-American	11.7	12.0	12.8
American Indian	0.6	0.8	0.8
API American	1.6	2.8	4.3
Hispanic American	6.6	9.0	11.1

*Year 2000 represents a population projection.

Source: [illegible]

What is the Glass Ceiling?

*GCC Research 3, 8, and 13**

Federal Glass Ceiling Commission research papers, as well as testimony presented at the public hearings, clearly document that today's American labor force is gender and race segregated—white men fill most top management positions in corporations.

According to surveys of Fortune 1500 companies conducted by Korn/Ferry International and Catalyst over the last decade, 95 to 97 percent of senior managers—vice presidents and above—were men. A 1989 Korn/Ferry survey found that 97 percent of male top executives are white. A 1992 survey of Fortune 1500 companies found that 95 percent of the three to five percent of the top managers who were women were white non-Hispanic women. In 1994, two women were CEOs of Fortune 1000 companies.

The representation of women and minorities on Fortune 1500 boards of directors is also limited. Cox and Smolinski point out that less than 10 percent of the largest employers have women on their board of directors. According to a 1992 Heidrick & Struggles survey, *Minorities and Women on Corporate Boards*, non-U.S. citizens held 2.85 percent of the board seats of 806 Fortune companies, slightly less than the 3.11 percent combined total held by all racial and ethnic minorities.

Conversely, the American workforce is increasingly diverse. In 1950, white men comprised 65 percent of the labor force; in 1990 white male representation had dropped to 43 percent. During the same period, representation of white women in the labor force increased from 24.2 percent to 35.3 percent. At the same time, minority representation in the labor force doubled, to 15.2 percent. Over the last decade, the size of the Asian and Pacific Islander American population has doubled, becoming the fastest growing of minority groups in the United States.

A larger proportion of women and minorities are locked into low wage, low prestige, and dead-end jobs, which according to Harlan and Bertheide, are not connected to any career ladder.

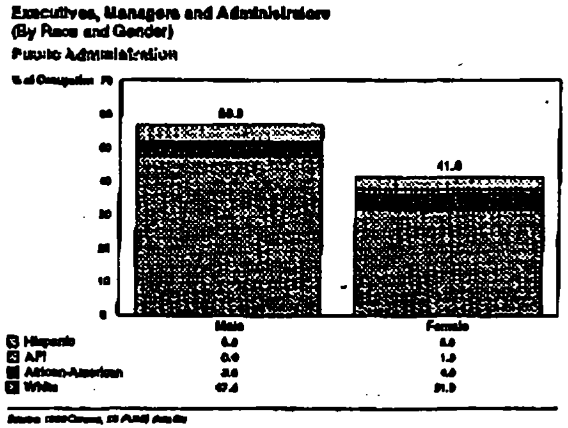
*The numerical references cited at each heading refer to the research papers listed at the end of this section.

The Current Status of Minorities and Women Managers *GCC Research 1, 4, 7, 9, 11, 12, 13, 14, and 17*

Most female and minority professionals and managers do not work in the private-for-profit sector. They hold jobs in the public sector and "third sector" — non-governmental agencies in health, social welfare, and education; legal service, professional service, membership organizations and associations; libraries, museums and art organizations. According to Burbridge, 90 percent of Black female professionals, 70 percent of Black male professionals, and 83 percent of white and Hispanic women professionals work in the government or the third sector, compared to 56 percent of white male non-Hispanic professionals.

The exception to this pattern of employment is Asian and Pacific Islander Americans (API) who rely heavily on the for-profit sector. Contrary to the popular image of API Americans, only a small percentage are entrepreneurs or managers of small businesses, (9.8 percent).

Federal Glass Ceiling Commission research also analyzed salaries as an indicator of advancement. In 1992, U.S. Census data reported the ratio of female to male earnings in management jobs ranged from a low of 50 percent in the banking industry to a high of 85 percent for managers in human services. An analysis of 1990 U.S. Census data shows that Black men who hold professional



degrees and top management positions earned 79 percent of what white men earn. Black women, also with professional degrees and in top management positions, earn 60 percent of what white men in comparable positions earn.

Despite identical education attainment, ambition, and commitment to career, men still progress faster than women. A 1990 *Business Week* study of 3,664 business school graduates found that a woman with an MBA from one of the top 20 business schools earned an average of $54,749 in her first year after graduation, while a comparable man earned $61,400—12 percent more. Wernick reports that a 1993 follow-up study of the Stanford University Business School class of 1982 found that 16 percent of the men were CEOs, chairmen, or presidents of companies compared to only two

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Organizations that excel at leveraging diversity (including hiring and promoting minorities and women into senior positions) can experience better financial performance in the long run than those which are not effective in managing diversity.

percent of the women. At the level below those top posts, 23 percent of the men in the 1982 class were now vice presidents and 15 percent were directors, compared to 10 percent and 8 percent, respectively, of the women.

Some data support the optimism that the 25 CEOs expressed about the progress of women. For example, between 1982 and 1992 the percentage of women who held the title of female executive vice president increased from four percent to nine percent; the percentage who held the title of senior vice president increased from 13 percent to 23 percent. In comparison, between 1982 and 1992, the percentage of African Americans who held the title of vice president or above increased from one percent to 2.3 percent. During the same period, the percentage of Hispanic top managers increased from 1.3 percent to 2 percent, and the percentage of Asian senior managers increased from .4 percent to 1.8 percent.

The small numbers of minorities and women throughout management makes statistics on the rate of change in representation misleading. For example, if two out of three Black male managers take early retirement, a firm experiences a 67 percent decline in representation.

The Business Imperative

Another reason for optimism is the growing body of evidence which indicates shattering the glass ceiling is good for business. Organizations that excel at leveraging diversity (including hiring and promoting minorities and women into senior positions) can experience better financial performance in the long run than those which are not effective in managing diversity.

Cox cites a Covenant Investment Management study to prove this point. The Covenant study rated the performance of the Standard and Poors 500 companies on factors relating to the hiring and advancement of minorities and women, compliance with EEOC and other regulatory requirements, and employee litigation. Companies which rated in the bottom 100 on glass ceiling related measures earned an average of 7.9 percent return on investment, compared to an average return of 18.3 percent for the top 100.

Cox offers several other explanations about why some businesses are motivated to eliminate the glass ceiling. In the U.S., Asians, Blacks, and Hispanics collectively represent more than $500 billion a year in consumer spending. In the automobile industry explicit recognition of cultural differences within the U.S. market is paying off. In 1987, by targeting advertising, hiring bilingual sales people, and holding special events, a Miami Toyota dealer gained more than 50 percent of the local Hispanic market and his sales increased 400 percent over a six-year period. On the West coast, a San Francisco Volkswagen dealership credited improved sales to Asian and Pacific Islander

Americans for a five-fold increase in overall sales per month. Sales people learned through cultural sensitivity training that among Chinese Americans, family elders often are the ultimate decisionmakers for major purchases.

To a lesser degree than competition for market share, turnover costs are also factors motivating companies to address issues related to glass ceiling. Cox cites a published report of Ortho Pharmaceuticals that stated yearly savings of $500,000 mainly from lower turnover among women.

These savings are not surprising. Recent studies estimate the turnover costs range between 150 and 193 percent of a manager or professional's annual salary, compared to 75 percent for lower level employees. Corning Glass reported that during the period from 1980 to 1987 turnover among women in professional jobs was double that of men. During the same time period, the turnover rates for Blacks were almost two and a half times those of whites. Another study of male and female managers of large corporations found that the major reason for women quitting was a lack of career growth opportunity or dissatisfaction with rates of progress.

The Pipeline

GCC Studies 1 through 8

The research monographs and testimony that examined the preparedness of minorities and women to advance to top management positions considered preparedness in terms of corporate development of minorities and women and educational credentials.

As Wernick explains, the development of business executives is a long, complicated process. Chief executive officers (CEOs) are generally in their 50s or 60s when they assume the top position. Furthermore, they have usually spent 20 to 25 years "in the pipeline."

It is also worth noting that career paths to CEO positions vary by industry. Certain functional areas are more likely than others to lead to the top. The "right" areas are most likely to be line functions such as marketing or production or a critical control function such as accounting or finance. Studies across industries find certain factors common to successful executives, regardless of gender, race, or ethnicity. They include: broad and varied experience in the core areas of the business; access to information, particularly through networks and mentoring; company seniority; initial job assignment; high job mobility; education; organizational savvy; long hours and hard work; and career planning.

Minorities and women have limited opportunity to obtain broad and varied experience in most companies. They tend to be in supporting, staff

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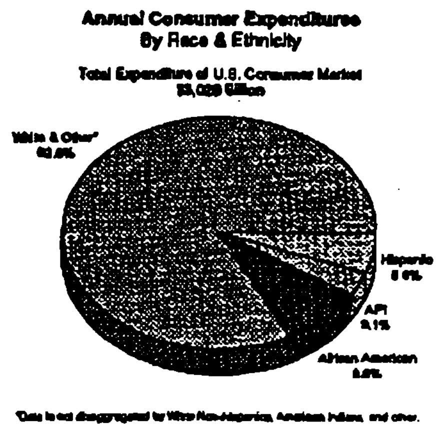


Gender distribution is more prominent than race distribution across industries.

function areas—personnel/human resources, communications, public relations, affirmative action, and customer relations. Movement between these positions and line positions is rare in most major companies. Furthermore, career ladders in staff functions are generally shorter than those in line functions, offering fewer possibilities to gain varied experience.

Education is also an important part of an executive's preparation. According to a 1993 Korn/Ferry International UCLA report, almost 90 percent of executives are college graduates. U.S. Census data show that Asian and Pacific Islander Americans and women have the largest percentage of the work force with college or graduate degrees, with 42 percent and 35 percent, respectively. The same source shows that college attendance is increasing for Black men and women of all ages. Between 1982 and 1991, there was a 36 percent increase in the number of African Americans, ages 20 to 44, with a college degree or more.

The picture for American Indians and Hispanic Americans is less encouraging. Only 9 percent of American Indians in the workforce hold college degrees. Between 1980 and 1990, the number of Hispanic Americans with bachelor's or graduate degrees increased from 7.7 percent to 10 percent. Furthermore, the opposition to bilingual education discourages the acquisition of one of the assets that business values. According to a 1994 *Hispanic Business* magazine survey of 169 Hispanic senior managers, the majority of managers work in line positions in international divisions using their bilingual and bicultural skills. However, only 4 percent of Hispanic high school students gain bilingual capability by taking the minimum requirement for Spanish literacy, according to a Department of Education longitudinal study.

Where are the Opportunities?

GCC Studies 1, 3, 5, 7, 11, 15, 17, and 19.

Federal Glass Ceiling Commission research on the opportunities for minorities and women to advance to top management positions in corporate America focused on two areas: 1) identification of growth industries and businesses and high-demand occupations and their relation to opportunities for advancement and 2) identification of possibilities resulting from changes in the structure of work, new technologies, and the demands of a global economy.

Gender distribution is more prominent than race distribution across industries. Women are more likely than men to be clustered in services; finance, insurance, and real estate (FIRE), and in the wholesale/retail trade industries. Nearly 75 percent of employed women work in these industries.

Growth Industries

The industries expected to grow the most between 1990 and 2005 are service/retail trade; FIRE; wholesale trade; transportation, communications,

and public utilities; and construction.
Those areas which are expected to have growing needs for general managers and top executives include wholesale trade; retail trade, especially eating and drinking establishments; finance and real estate (but not insurance carriers); and services, particularly business services, auto services, health services, education, social services, and engineering and management services.

Women appear to have the best opportunity for advancement into management and decision-making positions in three types of industries: those which are fast-growing (business services); those like telecommunications where change, i.e., deregulation, restructuring has occurred; and those with a female intensive work force (insurance, banking).

Restructuring
A review of research on recent changes in the organization of work identifies seven ways in which downsizing and restructuring can limit opportunities for all managers, professionals, and administrators. They are: 1) an increase in external recruiting which reduces the number of internal career ladders; 2) elimination of layers of management and staff positions, 3) hiring of independent contractors or small businesses to perform some staff functions; 4) more stringent performance measures on those managers who remain; 5) more geographic mobility required of managers; 6) increased importance of team work; and 7) a shift of employment from manufacturing to services.
As Hamlin's research on the impact of downsizing and restructuring in nine companies found, in more than half the companies, white women and—to a somewhat lesser extent—minority men have increased their representation in management both in absolute numbers and in proportion to white men between 1990 and 1994. Restructuring can present problems as well as opportunities for minorities and women in management. In some cases the last hired are the first fired. On the other hand, when early retirement is part of the restructuring process, higher level positions may become available, thereby increasing advancement opportunities. Hamlin's study showed that white male managers who had seniority and were eligible for relatively generous buy-out packages were most likely to take early retirement or choose other forms of severance during downsizing.

Comparison of Industries—Women
The industries with the highest percent of women managers were FIRE (41.4%), services (38.9%), retail trade (38.5%), transportation, communication, and public utilities (25.6%), and wholesale trade (20.9%). Manufacturing (15.9%), agriculture (14.5%), construction (10.4%), and mining (9.8%) had the lowest percentages.

The proportion of women employees who are managers is the closest to that of men who are managers in transportation, communications, and

Restructuring can present problems as well as opportunities for minorities and women in management.

Women appear to be advancing best in industries with relatively high growth, those undergoing change with regard to regulation, and those highly competitive and thus dependent on marketing and flexibility.

public utilities (10.1%; 15.2%), with the construction industry second (6.4%; 9.9%). Manufacturing and FIRE showed the biggest proportional differences.

Predominately female industries have larger percentages of women in at least mid-level managerial positions than do predominately male industries. Furthermore, women appear to be advancing best in industries with relatively high growth, those undergoing change with regard to regulation, and those highly competitive and thus dependent on marketing and flexibility.

Comparison of Industries—Minorities
Department of Labor analyses of 1990 EEOC data for minorities (men and women) find that the industries with the highest percentage of minority managers are retail trade (13%), transportation, communication, and public utilities (12%), services (11%), and FIRE (11%). Agriculture (1.3%), wholesale trade (0.9%), manufacturing (0.8%), mining (0.7%), and construction (0.6%) had the lowest percentages.

The proportion of minority employees who are managers is the closest to that of non-minorities who are managers in transportation, communication, and public utilities (7.7%; 15.0%), with the retail trade industry second (9.2%; 21.0%). Agriculture and construction had the biggest differences between the proportions.

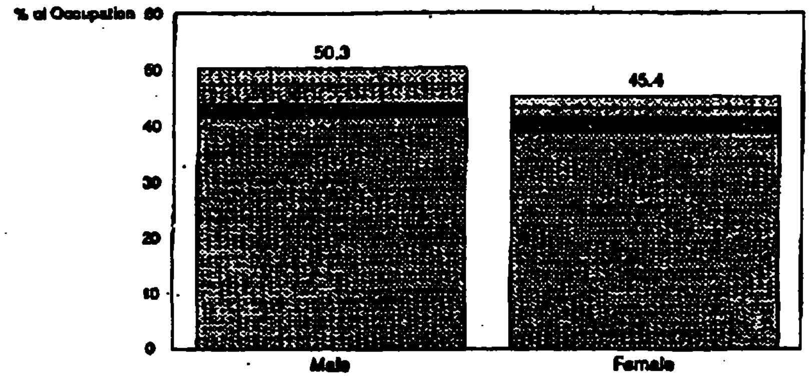
However, a study of Hispanic executives in the Fortune 500 industrial and 500 service industries (HACR 1993) found the highest percentage of Hispanic officers in beverages (3.8%), soaps and cosmetics (2.4%), building materials (1.9%), and motor vehicles and parts (1.1%). These sub-industries are all in the manufacturing sector. Officer representation for Hispanics in all others industrial sectors was below 1 percent, and has the lowest percentage of FIRE and transportation, communication, and public utilities.

An analysis of the 30 companies listed as best places for Blacks to work in the February 1992 edition of *Black Enterprise* found 8 of the 30 companies were in the consumer products industry. Telecommunications, automobiles, other manufacturing firms, oil, chemical companies, and banking/financial services had 3 mentions each.

Representation of minorities in an industry is not directly related to their advancement to management, as is the case with women. However, like women, minorities have the best chance of advancement in industries with relatively high growth, those undergoing change with regard to regulation, and those highly competitive and thus dependent on marketing and flexibility. (Note industry charts on next page.)

EXECUTIVES, MANAGERS, AND ADMINISTRATORS (By Race and Gender)

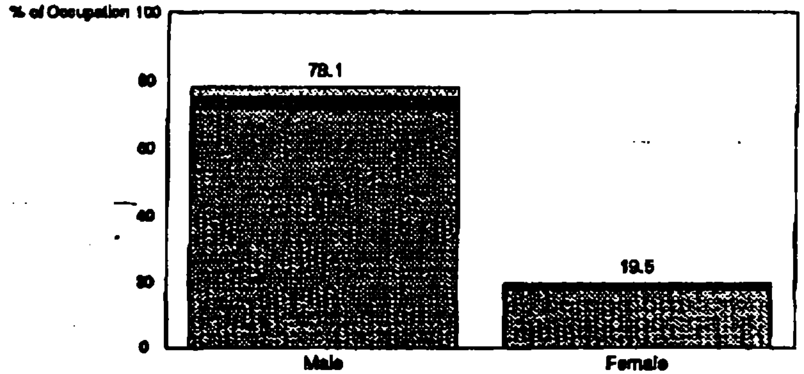
Retail Trade



	Male	Female
Hispanic	2.8	2.0
API	3.5	1.7
African-American	2.3	2.6
White	41.7	39.1

Source: 1990 Census, 5% PUMS data file

Utilities

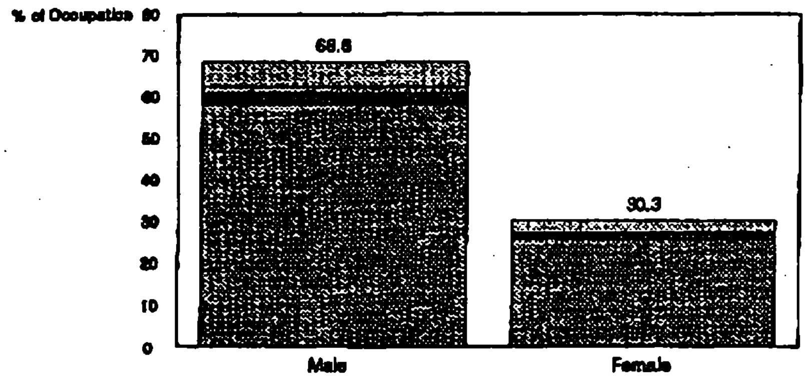


	Male	Female
Hispanic	3.1	0.7
API	0.0*	0.8
African-American	3.1	0.8
White	71.9	17.2

Source: 1990 Census, 5% PUMS data file

*API males sample size too small

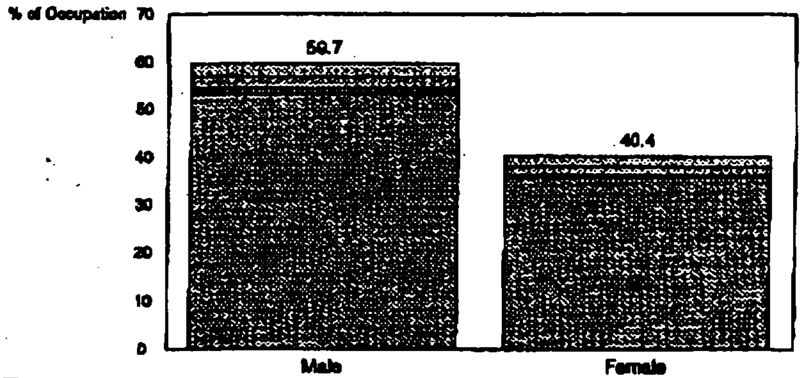
Transportation



	Male	Female
Hispanic	6.1	3.4
API	1.7	0.3
African-American	2.4	1.0
White	58.4	25.6

Source: 1990 Census, 5% PUMS data file

Wholesale Trade



	Male	Female
Hispanic	2.7	2.1
API	2.4	1.8
African-American	1.2	0.3
White	53.4	36.2

Source: 1990 Census, 5% PUMS data file