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Management Staff by International Comparison: Most of the Women on Supervisory Boards in Germany are Works Council Representatives

Elke Holst

In June 2004 only about one tenth of all the seats on the boards of the 200 biggest companies worldwide were held by women. In 22 of these companies women held at least 25% of the seats on the board. Three of the companies were German. Here the percentage is made up entirely of women who represent the workforce. In 72 of the 100 biggest companies in Germany at least one member of the supervisory board is a woman (7.5% of the total number of seats); more than 80% of these women acquired their seat through the works council. This sobering figure on corporate management is largely a result of the low number of women in top management jobs compared with men.

According to information from companies women currently account for about one tenth of the management jobs in Germany. And although progress has been made in some areas in the past decade, an equal distribution of top jobs between men and women is still a distant prospect. In view of the considerable social and demographic changes now underway, it is essential to make better use of the potential of highly qualified women to ensure that the German economy remains competitive. Hence it is proposed to set up a high-ranking 'Glass Ceiling Commission', similar to the one in the United States. It should work out the economic and social consequences of this problem with the cooperation of the private sector, and develop recommendations on the measures and binding framework conditions that may be necessary. That could help to overcome the barriers to the promotion of women into management and decision-making positions.

The members of the supervisory board

It is generally the duty of the supervisory board to supervise the management of the company and the appointment of its managing directors. Key corporate planning and decisions frequently have to be approved by the supervisory board. So a seat on this top decision-making organ is of major importance.

The development in management staff: methodological problems

An international comparison of the development in management staff is difficult for two reasons. In the studies on which the comparison is based not only the definition of management staff but also the basis of the survey is not uniform. Firstly, there is a fundamental difference in the unit surveyed, which may be persons in employment, with a representative selection questioned (e.g. in the German Microcensus, the German Socio-Economic Panel) or it may be companies. Secondly, the results may differ, depending on the companies considered and more or less closely defined activities. The results in this report are based on information given by companies in their annual reports, and surveys specifically related to management staff.¹

For international comparison of the development in management staff the results of the surveys carried out since 1989 by APEC, the French management staff association, of companies in eight European countries, Belgium, France, Germany, Great Britain, Italy, Luxemburg, the Netherlands and Spain, are used.² By management staff is meant senior employees or group leaders, and employees with specialist or management functions in companies. The study represents 85% of the population of the European Economic Area (EEA, 17 countries) and 86% of the population of the European Union before the recent enlargement (EU-15). The study can only be used for the overall development in these countries, as gender-specific results are not given.

APEC's current study covers 2004. It shows that 1.9 million management staff were employed in companies in the private

sector in Germany employing ten people or more (not including education, health and social work). So Germany has the second highest number of management staff in the eight countries studied, after Great Britain (2.8 million). However, in relation to the total workforce (management staff ratio) Germany has the lowest percentage at 11% (average for the eight countries 15%). Altogether the number of management staff (balance of outflows and new appointments of management staff in companies) increased in all the eight countries together by 2% over 2003. In Germany the growth was lowest at 0.3%. So the dynamic of the development in management staff has slowed down again, in Europe as a whole and in Germany.³

In Germany internal appointments through promotion were above the average of 35% at 46%. In 54% of the cases external applicants were successful (average 65%). Primarily experienced management staff (with more than five years experience in the job) were sought for new appointments. Structural change is also evident here, with the number of management staff employed in industry falling continuously and rising in the services sector and in trade and commerce.

In all the eight countries relatively more companies are planning to increase their number of management staff than reduce it (a total of 15% increasing compared with 5% decreasing). In Germany the share of companies planning to expand their management is lowest at 11%, while the share of those intending to reduce it is highest at 8%. The resultant balance of only three percentage points puts Germany at the bottom of the list of eight countries. If this balance between expansion and contraction of management staff is taken as a yardstick of companies' expectations of future business trends, then companies here are clearly least optimistic.

¹ It must be remembered here that smaller companies are often insufficiently taken into account in these surveys, if at all. The development in management staff will be studied in more detail in the German Socio-Economic Panel using subjective statements by senior employees and officials (e.g. independent of the size of the company or the sector in which it operates) and published in a later Weekly Report.

² Association Pour L'Emploi des Cadres (APEC), Paris 2005. In 2004 a total of 3 870 companies were questioned by telephone, of which 640 were in Germany. For the definition of management staff see the report, p. 56.

³ In 2003 the total number of management staff was still rising, by 2.5% (Germany 2%), and in 2002 it actually rose by 3.2% (Germany 2.2%), all year-on-year changes.

In June 2004 only 10.4% of all the seats on the boards of the 200 biggest companies worldwide were held by women.¹ While women held at least one seat on the boards of all the 78 companies in the United States in the Fortune Global 200 list (17.5% of all seats), the share in Great Britain was 12.5%, in Germany 10.3%, in the Netherlands 8.6%, in Switzerland 7.7%, in France 7.2% and in Italy finally only 1.8%.

Among the 22 companies, in which women hold at least one quarter of the seats on the board, the United

States is most frequently represented with 15 companies (cf. table 1). Germany has three, Deutsche Post AG with 30%, and Deutsche Bank and Metro AG with 25% each. In about one quarter of the companies on the Fortune Global 200 list (53 companies) not a single seat on the board was held by a woman; one of these, noted internationally with disapproval, is the biggest German company, listed seventh worldwide, DaimlerChrysler.²

Germany's relatively good position in awarding supervisory board seats to women is closely related to its national laws on codetermination.³ While former laws on codetermination didn't include gender-specific regulations, the 'Drittelbeteiligungsgesetz' (DrittelbG)⁴

¹ The Fortune Global 200 companies were examined by Corporate Women Directors International (CWDI): 'CWDI Report 2004 - Women Board Directors of Fortune Global 200 Companies', 2004 (www.globe-women.com/cwdi/Global200_kefindings.htm).

² CWDI Report 2004, loc. cit.

Table 1

Companies with at least 25% of the Seats on their Board held by Women in June 2004

Company	Fortune 200 ranking of world-wide turnover	Country	Total number of seats on board	Number held by women	% held by women
Albertsons (trading group)	111	USA	10	5	50.0
Statoil (oil and gas group)	112	Norway	9	4	44.4
Wells Fargo (bank)	135	USA	14	5	35.7
SBC Communications (supplier of fixed telecommunications lines)	96	USA	17	6	35.3
Hewlett-Packard (computer manufacturer)	24	USA	9	3	33.3
J.C. Penney (trading group)	123	USA	12	4	33.3
Royal Ahold (trading group)	37	Netherlands	6	2	33.3
United Parcel Service (express and parcel delivery service)	121	USA	9	3	33.3
Centrica (gas services)	150	Great Britain	10	3	30.0
Deutsche Post AG	75	Germany	20	6	30.0
McKesson (IT and health services)	26	USA	10	3	30.0
Target (trading group)	71	USA	14	4	28.6
TIAA-CREF (asset management)	181	USA	22	6	27.3
CVS (pharmaceutical retail chain)	175	USA	8	2	25.0
Deutsche Bank (bank)	68	Germany	20	5	25.0
DuPont de Nemours (chemicals group)	164	USA	12	3	25.0
Intl. Business Machines (IBM) (software and computers) USA	19	USA	12	3	25.0
J. Sainsbury (retail group)	152	Great Britain	8	2	25.0
Metro AG (trading group)	41	Germany	20	5	25.0
Sysco (trading group)	179	USA	12	3	25.0
United Technologies (space travel and armaments)	141	USA	12	3	25.0
United Health Group (pharmaceuticals and health)	154	USA	12	3	25.0

Sources: CWDI Report 2004: Women Board Directors of the Fortune Global 200 Companies list; DIW Berlin compilation.

from the year 2004 requires one third of the seats on the supervisory board of a German company to be held by representatives of the workforce. This law states that the ratio of men and women delegated to the supervisory board to represent the workforce must correspond to their ratio in the company's workforce.⁵ The inclusion of all the three German companies named above among

those in which women hold 25% of the seats on the board is solely due to the women who are representatives of the workforce.

In the 100 German companies with the highest turnover and that have a supervisory board women lately account for 7.5% of all the seats on the board.⁶ Sixty-eight companies have at least one woman on the supervisory board and in more than 80% of these she is a works council member. Without the codetermination laws in Germany there would be hardly any women on the supervisory boards of German companies, for it is not to be expected that the women delegated by the works councils are displacing women who would be nominated by the shareholders. On the contrary, everything suggests that so few women are appointed by the company's management because the share of women in management jobs in the company is low.

³ For the German law on codetermination from 1976 ('Mitbestimmungsgesetz') see: <http://bundesrecht.juris.de/bundesrecht/mitbestg/>. This law is – in short – valid for companies with more than 2000 employees. Exception: not valid for companies which are subject to the 'Montan-Mitbestimmung' (Co-Determination in the Coal, Iron and Steel-Industry). 18 of the 25 EU states have regulations on codetermination (see: http://www.boeckler.de/pdf/impuls_2005_07_untern.mitbest.pdf). For information about existing systems of board-level representation of workers in the EU-15 countries (national systems and practices) see http://www.seeurope-network.org/homepages/seeurope/file_uploads/eu_15_reports_blr.pdf.

⁴ For the DrittelbG from 2004 see <http://bundesrecht.juris.de/bundesrecht/drittelbG/index.html>. This law is – in short – valid for companies with 500 to 2000 employees. Exception: not valid for companies which are subject to the 'Mitbestimmungsgesetz' or the 'Montan-Mitbestimmung' (see also footnote 3).

⁵ Drittelbeteiligungsgesetz, loc. cit., Section 4, Para. 4.

⁶ Cf. Elke Holst: 'Führungskräfte im internationalen Vergleich: Frauen in Aufsichtsräten in Deutschland meist von Arbeitnehmervertretungen entsandt', in: *Wochenbericht des DIW Berlin*, no. 35/2005, pp. 505-511.

Table 2

Persons Employed in Management in Germany in 2004

	Big companies				Small and medium-sized companies			
	Total	Men	Women	% of women	Total	Men	Women	% of women
Top management	91 076	84 771	6 305	6.9	110 176	100 235	9 941	9.0
Of which: Supervisory Board	37 665	34 033	3 632	9.6	15 453	14 279	1 174	7.6
Middle management	67 890	61 231	6 659	9.8	86 579	74 447	12 132	14.0
Total	158 966	146 002	12 964	8.2	196 755	174 682	22 073	11.2

Sources: Hoppenstedt Firmeninformationen GmbH, company data bank, December 2004; DIW Berlin calculations.

Declining share of women in middle management of small and medium-sized companies

According to an evaluation of the 80 000 biggest companies in Germany women held 10.4% of the management jobs in July 2004 (cf. table 2).⁷ The share of women in top management in small and medium-sized firms was 9%, and in middle management 14%.⁸ While the development in the top management here was positive, the share in middle management has fallen by 1.8 percentage points since 1999, and since 1995 by as much as 2.3 percentage points (table 3). This middle management level, where traditionally more women are to be found than in top management, is evidently again being filled more with male applicants as a result of the labour market problems.

Altogether, however, the share of women in management (top and middle ranks) did increase between 1999 and 2004 by 1.2 percentage points to 10.4%. The development was rather better in associations and public authorities, where the share of women in management posts was clearly above their share in companies (+8.5 percentage points in middle ranks since 1999). Women were more frequent in both top and middle management posts here than in the private sector. So associations and public authorities offer women aiming for a management post relatively better opportunities than the private sector.

Altogether of 100 management personnel in Germany in 2004 10 were women; in 1999 the figure was nine and in 1995 only eight. Despite the voluntary agree-

ment between the German business federations and the Federal Government to promote equality of opportunity for women and men in companies⁹ Germany is still far from having achieved equality between the sexes in these positions.

This makes it clear that considerable efforts are still needed to increase the share of women in management posts. That would be in the companies' own interests, for in future they will be even more dependent on highly qualified personnel to maintain their competitiveness. If only the qualifications of the applicants were considered

Table 3

Development in the Share of Women in Management in Germany

	1999	2004	1999 to 2004	Memo item: 1995 to 2004
	Percent		Percentage points	
Big companies				
Top management	5.0	6.9	1.9	3.7
Middle management	8.0	9.8	1.8	4.0
Small and medium-sized companies				
Top management	8.0	9.0	1.0	0.9
Middle management	15.8	14.0	-1.8	-2.3
Associations, public authorities				
Top management	10.6	12.9	2.3	3.6
Middle management	17.6	20.3	2.7	8.5
Total	9.2	10.4	1.2	2.3

Sources: Hoppenstedt Firmeninformationen GmbH, company data bank, December 2004; DIW Berlin calculations.

⁷ Cf. Hoppenstedt: 'Die Frauen holen auf – weibliche Topmanager sind selten, aber ihr Anteil steigt seit Jahren kontinuierlich an', press release of 18 July 2005. This study also shows a very low share of women on the supervisory boards of the companies studied, at 7.6%.

⁸ On the situation in middle management see Sonja Bischoff: 'Wer führt in (die) Zukunft. Männer und Frauen in Führungspositionen in Deutschland – die 4. Studie', Bielefeld 2005.

⁹ Vereinbarung zwischen der Bundesregierung und den Spitzenverbänden der deutschen Wirtschaft zur Förderung der Chancengleichheit von Frauen und Männern in der Privatwirtschaft, 2 July 2001 (www.bundesregierung.de/dokumente/Artikel/ix_471.42.htm).

in selecting staff a good half of the jobs should soon be filled by women. More young women than men acquire the general university entrance qualification (53% in 2002), and they account for more than half the new enrolments at universities (51%) and more than half of university graduates (53%).¹⁰

Initiatives to increase the share of women in top jobs

United States

In the United States the phenomenon of the considerable under-representation of women in top jobs is known by the term 'glass ceiling' – an invisible but impenetrable barrier blocking entry to top jobs for women. The term was used for the first time twenty years ago, in an article in the *Wall Street Journal*.¹¹ The article had far-reaching consequences, for a few years later, in 1991, the Glass Ceiling Act was incorporated in the Civil Rights Act. This clearly strengthened the barrier against discrimination at the workplace for management posts as well. At the same time it was decided that a high level Glass Ceiling Commission would be set up by the United States President and the party chairmen in Congress. The intention was to stress the great social importance of the problem. The Commission was to examine the opportunities and obstacles to the promotion of women into management and decision-making posts in companies and put forward recommendations for companies and the Administration to improve the situation. In 1995 the Commission¹² established that the low percentage of women in management positions had considerable negative financial effects for the American economy.¹³ Managers in the private sector who were questioned had

pointed out that the demographic changes in the labour force and the structure of consumers, together with the rapid global changes in markets, required new efforts to ensure the firm remained competitive.

The chances of recourse to highly qualified personnel and their many human capital resources would be all the better, argued the Commission, the more corporate culture oriented to the employment of women in top jobs. Among other things the Commission therefore recommended that women should be trained in management at an early stage in their careers and that the workforce – including the managers – should be trained to see the importance and advantages of a high share of women in management posts. Increasing the share of women in management posts should also be part of a company's strategic business plan. They underlined the particular importance for the success of the initiative of demonstrative support from the company's management. Finally, the Commission stressed the need to improve the data situation to enable more effective monitoring.

Meanwhile 85.8% of the companies on the Fortune 500 list in the United States employed at least one woman in a management post (2003). The total share of women on company boards was 13.6%.¹⁴ So the United States is still far from having a representative share of women on the top organs of companies, but they do head the world ranking list.

Norway

Norway is at present top of the list in a European comparison for the percentage of women on the top decision-making organs of its 50 biggest traded national companies. In 2004 more than one fifth of these top posts were held by women in Norway. Germany was in the upper middle field with a good tenth.¹⁵ To improve the equality of men and women in top posts in business the Norwegian Government decided in 2002 to impose a quota. By the general election on 12 September 2005 40% of the

¹⁰ Bund-Länder-Kommission für Bildungsplanung und Forschungsförderung: 'Frauen in Führungspositionen an Hochschulen und ausser-hochschulischen Forschungseinrichtungen'. Eighth issue of data: 'Materialien zur Bildungsplanung und Forschungsförderung', vol. 122, Bonn 2004.

¹¹ Carol Hymowitz and Timothy Schellhardt: 'The Glass Ceiling', in: *Wall Street Journal*, 24 March 1986, D1, D4-5.

¹² Cf. Federal Glass Ceiling Commission: 'Good for Business: Making Full Use of the Nation's Human Capital', Washington D.C., 1995. (www.dol.gov/asp/programs/history/reich/reports/ceiling2.pdf). On the Commission's recommendations see Federal Glass Ceiling Commission: 'A Solid Investment: Making Full Use of the Nation's Human Capital', Washington D.C., 1995, www.reference as above. On the importance of women in management for Germany see e.g. Gertraude Krell: 'Managing Diversity: Chancengleichheit als Wettbewerbsfaktor', in: Gertraude Krell (ed.): 'Chancengleichheit durch Personalpolitik, Gleichstellung von Frauen und Männern in Unternehmen und Verwaltungen. Rechtliche Regelungen – Problemanalysen – Lösungen', 4th fully revised and enlarged edition, XII, Wiesbaden 2004.

¹³ Only recently a study in Denmark showed the positive effect the share of women in the top management had on a company's success. The decisive factor was the high level of qualification of the women in these jobs. Cf. Nina Smith, Valdemar Smith and Mette Verner: 'Do Women in Top Management Affect Firm Performance? A Panel Study of 2500 Danish Firms', *IZA Discussion Paper*, no. 1708, Bonn 2005.

¹⁴ Catalyst: Women in Business – Snapshot (www.catalystwomen.org/knowledge/titles/files/fact/Snapshot%202004.pdf), access on 27 July 2005.

¹⁵ European Commission: 'Men and Women in Decision-Making Processes', data bank, the social and economic aspects of decision-making in the 50 biggest traded companies http://europa.eu.int/comm/employment_social/women_men_stats/out/measures_out438_de.htm, access on 29 July 2005.

seats on the boards of joint stock companies had to be held by women.¹⁶ Traded companies that could not meet the deadline could be granted a transitional period up to 2007; otherwise their stock market admission could be withdrawn.

In view of this NHO, the Confederation of Norwegian Business and Industry, launched a pilot project entitled 'Female Future'. The aim is to enable the appointment of the required number of women while taking quality aspects into account.¹⁷ NHO sees the two main challenges as, firstly to find suitable candidates, and secondly to ensure they have the competences and skills needed to perform successfully in a top position. The programme it has developed consists of three sections:

1. Monitoring suitable candidates
2. Providing support measures designed to develop competences and skills and
3. Instigating appropriate measures to increase the acceptance of women in top management and encourage a variety of management styles.

The Norwegian Government has also set up a data bank with the names of more than 4000 highly skilled women who could take a position on a company's board.¹⁸

The European Union and Germany

The EU is an important promoter of equality for women, in top management posts as well. Germany has undertaken under the Amsterdam Treaty¹⁹ to implement the EU Council directives on equal treatment in working life.²⁰

On national level an anti-discrimination law was presented in December 2004.²¹ It remains to be seen how much of the draft will remain now after the Federal elec-

tions. It may be remembered that in 2001 the Federal Government passed a law on the implementation of equal treatment for men and women in the Federal administration²² with the aim of improving the career and promotion prospects for women. It was decided not to introduce similar legislation for the private sector but to rely on the voluntary agreement concluded in 2001 between the confederations of German industry and commerce and the Federal Government to promote equality of opportunity for men and women in companies.²³ Under the agreement a 'balance sheet' is to be drawn up every two years. The private sector is still facing a big challenge here.²⁴

Conclusion

Women currently hold 7.5% of the seats on the supervisory boards of the 100 top German companies by size of turnover. Most of these big companies have at least one woman on the supervisory board. This positive result is due to the special codetermination regulations in Germany, for more than 80% of the women on supervisory boards are representatives of the workforce. In 32 of the 100 biggest German companies the supervisory board is composed entirely of men – they include Daimler-Chrysler AG (the biggest German firm), Robert Bosch GmbH (11th on the list) and Thyssen Krupp AG (No. 12).

Women hold only about one tenth of the management posts in German companies. This has far-reaching

¹⁶ Cf. Norway's official website in Germany www.norwegen.no, access on 28 August 2005.

¹⁷ Cf. European Professional Women's Network, EuropeanPWN: 'Increasing Women Representation in Corporate Boards', Norway Shows the Way (www.parispwn.net/tht_corporate/p_tht_corp_norway_boards.html, access on 27 July 2005).

¹⁸ Following the Norwegian model the Alliance 90/Green Party in Berlin has now taken the first steps to building up a data bank for potential women members of supervisory boards. Cf. Bündnis 90/Die Grünen in Berlin: 'Frauen in die Aufsichtsräte!' (www.aufsichtsrattinnen.de/, access on 3 August 2005).

¹⁹ Treaty of Amsterdam to Amend the Treaty on the European Union, the Treaties Establishing the European Communities and related acts of legislation. Office for Official Publications of the European Communities, Luxembourg 1997.

²⁰ EU directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation, passed on 27 November 2000. Cf. Official Journal of the European Communities, L 303/16 DE, 2 December 2000. Directives are European framework legislation that has to be implemented in national laws.

²¹ This was to implement four EU directives: Framework directive 2000/78/EC of 27 November 2000, the revised directive on equal treatment, 2002/73/EC of 23 September 2002, the directive on equality of the sexes of 13 December 2004 (Council Doc. 14438/04) and the anti-racism directive 2000/43/EC of 29 June 2000. For more detail see Bundesministerium der Justiz (BMJ): 'Entwurf für ein Antidiskriminierungsgesetz' (www.bmj.bund.de/enid/2d8a6a24f17c3c3d641940f1900f09ff,0/qi.html)

²² Gesetz zur Durchsetzung der Gleichstellung von Frauen und Männern, Drucksache 813/01, 2001.

²³ Vereinbarung zwischen der Bundesregierung und den Spitzenverbänden der deutschen Wirtschaft zur Förderung der Chancengleichheit von Frauen und Männern in der Privatwirtschaft, loc. cit.

²⁴ Cf. Bundesministerium für Familie, Senioren, Frauen und Jugend et al.: 'Bilanz 2003 der Vereinbarung zwischen der Bundesregierung und den Spitzenverbänden der deutschen Wirtschaft zur Förderung der Chancengleichheit von Frauen und Männern in der Privatwirtschaft', Berlin 2003; Gertraude Krell and Renate Ortlieb: 'Umsetzung der 'Vereinbarung zwischen der Bundesregierung und den Spitzenverbänden der deutschen Wirtschaft zur Förderung der Chancengleichheit von Frauen und Männern in der Privatwirtschaft' vom 2 Juli 2001'. Results of a company survey for the Hans Böckler Foundation and the German Trade Union Confederation, Berlin 2003; Elke Holst: 'Zu wenig weibliche Führungskräfte unter den abhängig Beschäftigten', in: *Wochenbericht des DIW Berlin*, no. 48/2002, pp. 839-844.

consequences. There is a correspondingly smaller pool of potential female management staff to move up to the supervisory board. If the share of women in management positions continues to increase as slowly as in recent years even approximate equal representation of men and women is still a distant prospect. Germany needs a high ranking 'Glass Ceiling Commission' like the one in the United States. It should be appointed jointly by the Federal Government and the parliamentary parties and be headed by the Ministry of Economics and Labour. It should reveal the economic and social consequences of the low share of women in management and decision-making positions, and work out recommendations and binding measures for companies and the Government to help overcome the barriers to the promotion of women into top management posts.