

Kirsch, Anja; Sondergeld, Virginia; Wrohlich, Katharina

Article

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Executive boards remain dominated by men, but change is finally coming

By Anja Kirsch, Virginia Sondergeld, and Katharina Wrohlich

The 2022 DIW Berlin Women Executives Barometer, the largest analysis of the shares of women on top boards in the private sector in Germany, has found that a significantly greater number of women were appointed to executive boards in 2021 following many years of sluggish growth. While only an initial sign of change, there are some indications that this growth could kick-start an increase in women on the executive boards of major German companies. In 2021, 38 women joined the executive boards of the 200 largest companies in Germany. Totaling 139 women, this is an increase by over three percentage points compared to 2020 to a share of almost 15 percent. There has not been an increase this large since the beginning of the DIW Women Executives Barometer in 2006. The share of women has also increased significantly in the 160 publicly listed companies: by around three percent, the largest increase in years, to a good 14 percent of female executive directors.

Where is this sudden growth coming from? Likely, the new inclusion requirement for executive boards (*Beteiligungsgebot für Vorstände*) is one driver. As of 2021, publicly listed companies with full co-determination and four or more executive board members must appoint at least one woman—or in the opposite, non-existent case, at least one man—when filling new executive board positions. Although the requirement only applies to 66 firms currently, it seems to be producing remarkable anticipation effects: Twelve companies that did not have a woman on their board in the fall of 2020 now do have a woman on their board. As of late fall 2021, only 19 of the 66 companies still had men-only executive boards; in 2020, the number was 31. While the companies subject to the inclusion requirement for executive boards increased

their share of female executive board members from a good 14 to a good 19 percent, the increase in other companies was by just under three percentage points to around 14 percent.

This growth shows that, similar to the statutory gender quota for supervisory boards that has been in place for several years, the inclusion requirement for executive boards is an effective instrument for increasing the share of women on boards. However, such legal measures cannot solve every issue: Aspects such as corporate culture, economic and social conditions, and social norms are also involved in achieving gender equality in business and society.

Nevertheless, the stark increase of women on executive boards fuels the hope that momentum is building for greater gender equality. After all, female executive board members have a direct influence on corporate culture, pay scales, HR policies, and more. Compared to supervisory board members, they are much more visible to other company employees and are thus more effective role models; they are proof that women can make it all the way to the top. Legal requirements for women on boards can be the impetus for all of this.

Therefore, there are many reasons to expand such requirements if necessary. The scope of the inclusion requirement for executive boards in Germany is very narrow, as it only affects 66 companies. This narrow scope is also shown in a comparison of all existing gender quotas in the European Union in the second report in this year's DIW Women Executives Barometer. Policymakers should therefore consider extending the inclusion requirement for executive boards, for example to all publicly listed companies.

EDITORIAL

Katharina Wrohlich is Head of the Gender Economics Research Group at the German Institute for Economic Research (DIW Berlin) and a professor of Public Finance, Gender, and Family Economics at the University of Potsdam | kwrohlich@diw.de

Virginia Sondergeld is a research associate in the Gender Economics Research Group, a part of the Public Economics Department at DIW Berlin | vsondergeld@diw.de

Anja Kirsch is a professor of Gender, Governance, and International Management at the Freie Universität Berlin | anja.kirsch@fu-berlin.de

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DIW Berlin — Deutsches Institut für Wirtschaftsforschung e.V.
Mohrenstraße 58, 10117 Berlin

www.diw.de

Phone: +49 30 897 89-0 Fax: -200

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