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Article

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Gender parity on top boards is still a far-off goal, and it is time for companies to take action

By Anja Kirsch, Virginia Sondergeld, Philipp Alexander Thompson, and Katharina Wrohlich

The number of women serving on executive and supervisory boards of major companies in Germany continued to increase over 2022. Upon first glance, this is good news. However, upon closer inspection, the situation is not so clearly positive. Following a relatively large increase in the share of women, primarily of those on executive boards, growth slowed once more in 2022. Around 16 percent of the executive board members of the 200 largest companies in Germany (top 200 outside the financial sector) were women in late autumn 2022, which is about one percentage point more than 2021, or an additional seven women. In 2021, in contrast, there was an increase of over three percentage points, or an additional 38 women.

These ups and downs could perhaps just be a natural part of a growth cycle; growth fluctuates over time. However, it is difficult to deny that the growth could be related to the statutory inclusion requirement for executive board members that was adopted in 2021. Since 2022, publicly listed companies with full co-determination and an executive board with at least four members must adhere to the inclusion requirement. If they do not yet have a woman on their executive board, they must appoint one to the next vacant seat. The dynamic growth from 2020 to 2021 indicates a certain anticipation effect; the affected companies quickly implemented the statutory regulations. Now, however, they have apparently begun to slacken their efforts and, at least for the time being, are taking little action to further increase the representation of women. When only looking at the companies in the top 200 group subject to the inclusion requirement, the share of women on the executive boards was higher in 2022 compared to other companies. However, the increase was markedly lower than in 2021.

The editorial in the 2022 DIW Berlin Women Executives Barometer raised the question of whether this inclusion requirement had signaled the beginning of significantly more women on executive boards of large companies in Germany. One year later, so far, the increase seems to be more of a marathon and less of a sprint.

Either way, it is now up to the companies to take action. In recent years, policymakers have paved the way for more women in leadership positions, especially by passing laws such as the gender quota for supervisory boards and the inclusion requirement for executive boards. Now, companies must take this road. However, there is still a long way to go before gender parity is achieved. And while the number of women is clearly an important factor for achieving gender parity, it is not the only one: There must also be an appropriate corporate culture and the work climate must support equality and promote an inclusive work culture.

As is often the case with such developments, it is not surprising that companies are moving at different speeds: Some immediately take action, while others prefer to wait and see. Such a phenomenon can be seen in companies' gender equality efforts by analyzing the annual reports of DAX-30 or DAX-40 companies from 2009 to 2022. According to a quantitative text analysis of 554 annual reports from 2009 to 2020, major publicly listed companies implement the statutory reporting requirements very differently.

The volume of data on women and leadership positions in these reports has increased significantly on average in recent years and can be used to identify two clusters of companies: Equality-oriented companies, which report extensively on concrete measures for increasing the share

of women in leadership positions, and compliance-oriented companies, which are primarily concerned with fulfilling the legal requirements. Thus, it is not surprising that the equality-oriented cluster has a significantly higher share of women on their supervisory boards and has experienced dynamic

growth in the number of women on both supervisory and executive boards. The good news is that the statutory reporting requirements are proven to increase corporate transparency. Moreover, they also help raise public awareness about the issue and further pave the way to gender parity.

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