

HOW TO INCREASE FEMALE REPRESENTATION IN MANAGEMENT AND EXECUTIVE POSITIONS

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Abstract: This paper examines the case of female employees to find out how to increase their representation in management and leadership positions. The field of modern female employment, especially in Germany, is characterized by various challenges, including wage inequality, inequality in corporate governance, organizational structures and systems that are not supportive, problems with quota systems, and gender diversity issues. In order to retain qualified employees, even more flexible working time models will be necessary in the future, especially for women in management and executive positions.

Keywords: gender, pay gap, inequality management representation.

Introduction

The current desire of many executives to also fulfil their role in the family presents companies with a new challenge. Managers in Europe still rarely work part-time. Part-time is also a woman's domain at the management level. Part-time work in management – as we know – is strongly influenced by the working time and gender culture in the countries. However, the desire for part-time models for managers is growing. Is it possible to hold management positions despite working part-time work? Many companies have already become accustomed to women taking on this challenge. Men who demand or even do the same are considered exotic. But the desire for a better work-life balance is also growing among male executives. For companies, this now means offering or even having to offer part-time models in management. Companies can benefit from such a model by reducing fluctuation, retaining know-how and increasing management satisfaction. In the future, employers will have to increase their attractiveness with part-time offers, as it will otherwise be difficult to fill a challenging position or retain valid employees in the long term.

Research methodology Wage inequality

The wage gap is a widely studied employment factor by various agencies seeking to close the gender wage gap. In one report from Eurostat in 2019 it is indicated that Germany has a higher gender pay gap of 19% compared to the 14% EU average¹.

Germany has the fourth-highest pay gap in the region, while Italy, Romania, and Luxembourg have the smallest gaps of less than 5%.¹ Figure 1 below shows the findings of the report.

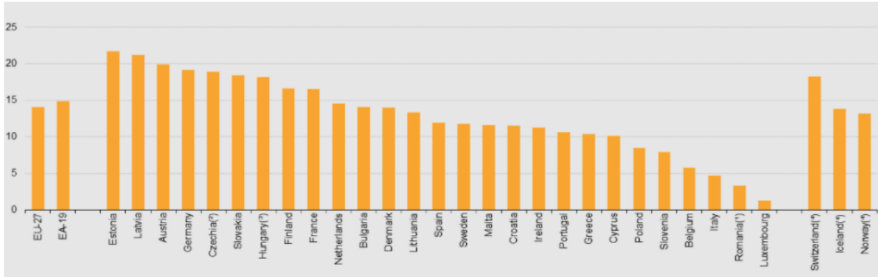


Fig. 1. Gender pay gap in the EU, 2019¹

As Boll, Rossen and Wolf [1] note, a large gender wage gap is an indication that significantly fewer women have well-paying jobs. One of the reasons for the gender wage gap is industry segregation [1], where women are overrepresented in relatively lower-paying sectors such as human and cultural industries, as shown in Figure 2 below, while their share in higher-paying segments such as STEM fields is relatively lower than that of men².

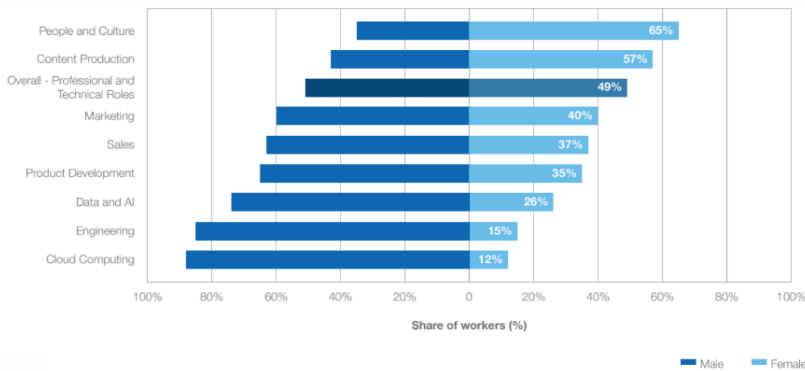


Fig. 2. Male versus female share in different professional groups globally, 2020 [4]

This applies in particular to Germany, which with a share of 29% of total EU industrial production is heavily industrialized³.

However, according to a report by the German Federal Employment Agency (BA, 2018), women account for about 28.9% of STEM graduates but only 17% of STEM employees. In addition, women’s interest in STEM

majors is declining⁴. This underrepresentation of women in STEM occupations contributes to a high gender pay gap.

Moreover, despite labour laws such as Article 157 TFEU, introduced in 1957, which mandates that all workers who provide equal value to an enterprise should be paid equally regardless of gender [2], women still earn less than men for the same job. Studies such as those by Milner [3] and Härkönen, Manzoni, and Bihagen [4] find that women have historically been penalized by motherhood and received lower pay as a result. However, studies such as those by Kelley, Galbraith, and Strong [5] and Morgenroth, Ryan, and Snderlund [6] find no evidence that modern workers are penalized by motherhood.

Other researchers have found that the relatively lower pay of female workers is a result of bias and discrimination by employers based on their skills [7], [8].

However, despite their disparate findings, all of these studies and reports agree that there is currently a problem in female employment where there is a large gap between the pay of female and male workers; therefore, a solution is needed.

Inequality in the representation of the management

A current challenge in the employment of women in Germany and the EU, in general, is their low numbers in management positions. This indicator of employment inequality has been measured in a number of ways. For example, Germany's top 30 companies have the lowest average percentage of women in board representation at 12.1% [10]. In addition, the percentage of German companies that meet the critical target of at least 30% women in leadership positions is 0%, while in Sweden, for example, it is 34.5% [9].

While 90% of the top 30 companies in the U.S. have at least 2 women on the board, only 16.7% of German companies meet this criterion [9]. The findings of the report are summarized in Figure 1 below.

As shown in Figure 3, Germany performs worst on all three indicators for gender diversity on boards. On the second indicator, none of the German companies meets the critical target of having at least 30% women. As a result, top German companies lack team dynamics [9], which undermines their competitiveness [10]. However, a study by Gordini and Rancati [11], which analyzed the financial performance of 918 companies in Italy based on board composition, found that the quality of the diverse group on boards affects the company's competitiveness and financial performance, rather than the mere balance of numbers between male and female executives.

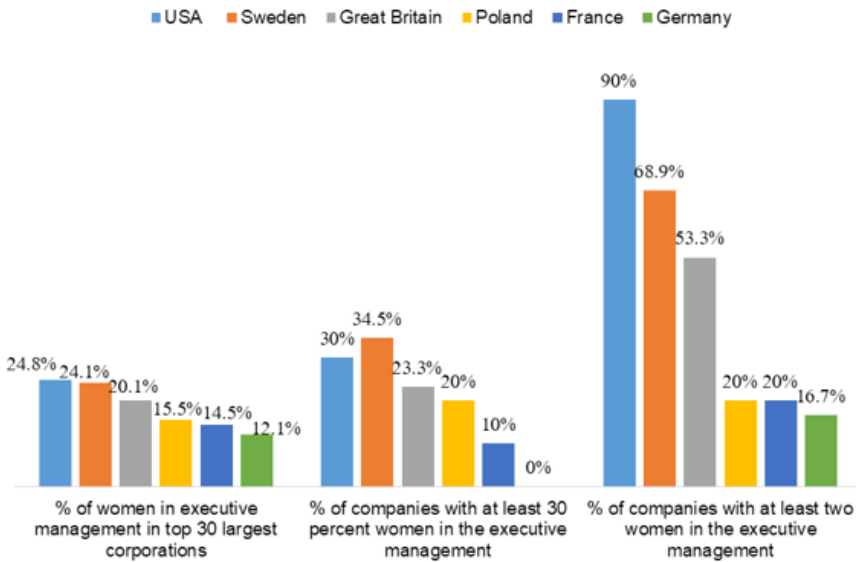


Fig. 3. Comparison of the proportion of women on the boards of the 30 largest companies in Germany, the USA, Sweden, the UK, France and Poland, 2018

In addition, other studies have shown that numerous other moderating factors must be considered if a gender-diverse board is to have a positive impact on a company's financial performance. Among these moderating factors the following are included: company size [12], where the impact is negative above a certain company size; industry type [13], where the impact of gender diversity on boards is more significant in some sectors than others; and female family boards versus external female boards, where female family boards have a negative impact on company performance, while external female boards have a positive impact [14].

Furthermore, the proportion of women in leadership positions in leading listed companies in Germany in 2019 was 14.2%, below that of most EU countries and also below the EU average of 18% (see Figure 4 below).

These figures are a clear indication of the underrepresentation of women at senior levels in Germany. A solution to increase the number of women in senior and executive positions is, therefore, necessary to increase gender diversity in the top management bodies of EU and German companies.

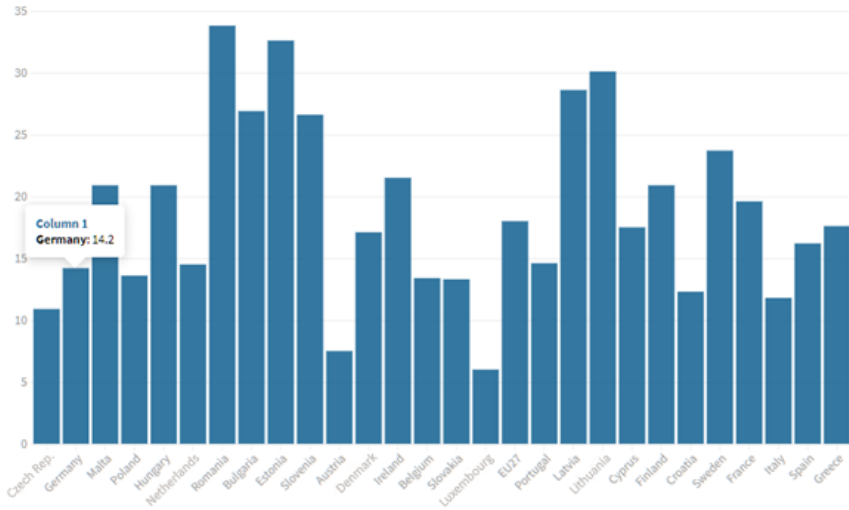


Fig. 4. EU comparison of the representation of women in leadership positions in the largest listed companies, 2019 [19]

Problems in Organizational Systems, Structures and Leadership

Research cites various factors as the cause of the current low gender diversity at various levels of employment, especially at the senior and executive levels. One of the biggest external barriers is company processes, structures, and systems. As Triana [15] note in their review of human resource management (HRM) articles on workplace discrimination published over the past 60 years, HRM can both undermine and promote gender diversity. Human resource management deals with numerous aspects of employees, including hiring, compensation, performance monitoring, promotion, motivation, team performance and development, and training. HR policies and practices, therefore, have a direct impact on how gender diversity evolves in an organization, in terms of the ratio of female to male workers at different levels of the organization, the pay gap between female and male workers, career growth and advancement of female workers, and so on. The human resources department is tasked with adopting labour law guidelines into company policy and consistently implementing them into company practice. The fact that there is still a pay gap is an indication of poor HRM and ineffectively designed organizational systems and processes.

Kim, Fitzsimons, and Kay [16] also argue that while internal barriers such as low ambition and low self-confidence undermine women’s advancement to senior and executive positions, these barriers can only be more effectively addressed through external organizational system changes.

For example, creating a system in which women can balance a demanding career with domestic responsibilities can help ensure that highly motivated and empowered female employees rise to the highest levels of corporate leadership. In addition, Thibault Landry, Schweyer, and Whillans [17] postulate that while financial and other work-related benefits are a factor in increasing employer attractiveness, retaining and developing employee talent requires a nonmonetary-based reward approach that focuses heavily on employee well-being. Researchers advocate the development of organizational systems that include various work arrangements and policies that are intentionally designed to promote employee well-being [18], [19]. For example, adopting work arrangements that promote flexibility is widely recommended as a means to help women balance their social demands with their work commitments. While flexibility has been shown to enable workers to have a fulfilling family and social life [20], Chung and van der Lippe [21] note that the impact depends on several factors, including workers' marital status, gender, country, culture, economic class, and household structure. For example, Chung and van der Lippe [21] find that flexibility disadvantages women compared to men, because while the majority of women use the flexible time gained for domestic tasks, most men use that time to advance their careers. While companies have a crucial role to play in helping to increase the proportion of women in senior and executive positions, they are not prepared to do so. This is especially true in Germany, where corporate boards are heavily dominated by men, as the figures above show. In such an environment, gender diversity is unlikely to be achieved, as promoting women's advancement to top management positions is not traditional and threatens the long-established status quo of male dominance, also known as the "old boy's networks".

Therefore, there is a need for a solution that could be easily integrated by German companies even within their current organizational environment to promote gender diversity in management and leadership positions in companies.

Problems in the German quota system

One of the solutions devised by the German government and approved by parliament, which came into force following the vote in the Bundesrat, is a quota system for the boards of the country's largest listed companies. The quota system mandates a minimum number of women to fill board positions, based on the total number of board members. Various countries in the EU have such a quota system, including France, Italy, Portugal and Belgium. In Norway, for example, the quota regulation adopted in 2003 stipulates that 40% of all supervisory board members must be women. In Germany, a 30% quota system for supervisory boards of listed companies

with four or more members was introduced in 2015. The quota system for supervisory boards has been instrumental in increasing the proportion of women on the supervisory boards of German companies, which exceeded the 30% mark in 2017 and will be 35.2 by the end of 2020. The percentage was accordingly, the introduction of the quota regulation at the executive board level for listed companies in Germany with more than three board members is expected to have an overall positive impact on efforts to bring more women into the top management levels of companies in Germany. However, the 2015 Supervisory Board quota regulation and the Executive Board regulation have not been without resistance and criticism. In fact, it took more than a decade for both to be passed because they have faced opposition from a variety of stakeholders, including political entities such as Germany's conservative party, corporate law lawyers, affected corporate boards, shareholders and entrepreneurs, to name a few. The concerns of corporate law experts, for example, are that the system violates companies' right to favour a free business environment. It is argued that the system is a political strategy aimed at correcting previous social inequalities caused by the system, but at the expense of companies and without serious efforts by the government. Executives at the affected companies also point out that there are not enough women to fill board positions, a view that leading proponents of the system counter by pointing out that this is a myth. However, analysis of the situation shows otherwise. Germany's top companies are, on the whole, unprepared to accommodate more women at the executive level. 25 out of 60 companies affected by the proposed quota system do not have a female board member, and half of them have no plan to change this state of affairs. Since the participation of women in lower management levels remains low, it is also highly unlikely that their significant increase in upper management levels will be readily accepted. Scholars who oppose the quota system also point to women's unwillingness to invest in professional development at the expense of fulfilling traditional societal expectations regarding household management and the role of primary caregivers. In response to these concerns, a solution is needed that helps prepare more women for leadership positions without forcing them to sacrifice their family lives. Such a balance would attract more women willing to rise to the top corporate ranks.

Problems with gender diversity initiatives

Also at the corporate level, the gender diversity agenda has been pushed hard, especially in the Western world, to increase the proportion of women in management and leadership positions. Diversity is now a commonplace theme in the goals of organizations. Despite these efforts, however, several factors undermine gender diversity efforts, exacerbating

the problem of low female representation in corporate leadership. Various biases against women undermine gender diversity efforts. For example, Hideg and Ferris discuss benevolent sexism, which assumes that women are vulnerable and need to be protected. Because of this bias, even if gender diversity policies such as equal hiring are successfully implemented, female employees are unlikely to be adequately challenged or receive constructive criticism on an ongoing basis. Moreover, Shnabel et al., find that both men and women are affected by this bias, with the latter more likely to rely on dependent help at work than autonomous input.

Bias can only be used to exacerbate the problem of gender inequality because it undermines the advancement of female employees into leadership positions that entail social roles not traditionally assigned to women. The other form of bias is the “maternity penalty”. Despite gender diversity efforts, once women become mothers, they are assumed to be less effective and therefore given less demanding work assignments, including not being favoured for outside company assignments. Researchers have shown that women with children encounter less interest and lower salary offers from employers than women without children, while conversely, men with children encounter more interest and higher salary offers from employers than men without children. A study by Nivorozhkin and Romeu-Gordo, which examines the impact of the extension of parental leave in West Germany from two to six months in 1992, finds that the extension led to a change in the tasks assigned to young women. The tasks were simpler than before and included easily replaceable jobs. The study finds that this change has now led to a large difference between the complexity of tasks assigned to young German women workers who might request parental leave and older women workers who did not need parental leave, which did not previously exist the overall effect is a reduction in career advancement for young German women as a result of potential parental leave. In addition, a study by Hopkins-Doyle et al. found that benevolence bias is a complex issue, as women interviewed in the study considered men who exhibited benevolence bias supportive of gender equality, while those who were not biased were viewed as hostile. The study illustrates how difficult it is to eliminate such strongly psychologically rooted prejudices, even among women who are the victims of these prejudices. Accordingly, this study argues that the first step in combating prejudices such as the benevolence prejudice and the maternity penalty is to accept their existence.

Conclusion

The next step will be to examine the German work environment and culture in order to develop a clear practical solution that German companies can apply to increase the proportion of women in management and

leadership positions. The perspective will be on the established models of current research. These include the social role theory of gender differences, the theory of role incongruence, the manager think-male paradigm, and the glass ceiling/glass cliff concept for female managers. Part-time management should be discussed as a possible solution. It is also important to transparently summarize the criticism of part-time management, and specifically, what prevents this model from being implemented in practice, especially in management positions. A pragmatic approach should be explored as to how companies and their organizational structures can challenge women in management. The focus of the model should be on access to opportunities, organizational structures and organizational culture.

Notes

- ¹ **Eurostat**. 2020. Das unbereinigte geschlechtsspezifische Lohngefälle, 2019. [online] Verfügbar unter: <https://ec.europa.eu/eurostat/statisticsexplained/images/f/fb/The_unadjusted_gender_pay_gap%2C_2019_%28difference_between_average_gross_hourly_earnings_of_male_and_female_employees_as_%25_of_male_gross_earnings%29.png> [Zugriff am 21. Sep. 2021].
- ² **WEF**. 2020. The global gender gap report 2020. [online] Genf, Schweiz: World Economic Forum. Verfügbar unter: <http://www3.weforum.org/docs/WEF_GGGR_2020.pdf> [Zugriff am 21. Sep. 2021].
- ³ **Eurostat**. 2021. Statistik der Industrieproduktion. [online] Verfügbar unter: <https://ec.europa.eu/eurostat/statisticsexplained/index.php?title=Industrial_production_statistics> [Zugriff am 21. Sep. 2021].
- ⁴ **BA**. 2018. Statistik der Bundesagentur für Arbeit. Berichte: Blickpunkt Arbeitsmarkt – MINT – Berufe, Nürnberg. Verfügbar unter: <https://statistik.arbeitsagentur.de/DE/Statistischer_Content/Statistiken/Themen-im-Fokus/Berufe/Generische_Publikationen/Broschuere-MINT.pdf?__blob=publicationFile> [Zugriff am 21. Sep. 2021].

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