Germany sets gender quota in boardrooms: Will the EU follow suit?

May 19th, 2015 – Munich, Germany – Slowly but surely, governments and legislators are becoming aware of the need to integrate women further into the corporate world. It is widely recognized that women should be encouraged to take more prominent top roles, not just because they have a right to do so, but because their potential and skill sets are of incredible value, and the perfect complement and a necessary balance to the strengths of men.

The German parliament recently passed a law requiring major companies to allocate 30% of their seats on non-executive boards to women by 2016. Although women make up nearly half of the workforce in Germany, they only account for 20% of supervisory board members. The new quota will affect more than 100 of Germany's largest publicly-traded companies. A further 3,500 medium-sized companies will be required to produce their own quotas to promote gender equality on their boards. Companies not meeting the quota must either fill the vacancies with female employees or keep the positions open.

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Some large German companies already support female leadership in this way, with Adidas, Deutsche Telekom, and Allianz currently complying with the 30% quota. According to the NY Times, American and Norwegian economists have found that while these new mandates have definitely given women positions on corporate boards, they don't do much to help women achieve executive positions, decrease the gender pay gap, or administer policies for family care. Nevertheless, supporters believe that such legislation has the potential to extensively alter corporate governance in Germany, and could have an impact far beyond its borders.

Tapping into a large and underused talent pool makes good business sense. Women comprise 51% of the population in Europe, are responsible for 70% of household purchases, and outperform men educationally. A study by Harvard Business Review found that women scored higher than men in developing and building relationships, and demonstrating integrity and self-development. At all levels, women scored higher in 12 out of 16 criteria for outstanding leadership. In fact, women outscored men above all in the two competencies that were previously considered to be male strengths - taking initiative and driving results.

The standard masculine “upward mobility” instituted in the workplace forces women to work harder and assert themselves more aggressively when attempting to secure senior positions. Interviews conducted by McKinsey & Company show that women tend to minimize their own performance. In a survey of MBA students, 70% of women rated their own contributions as equal to their colleagues while 70% of men rated themselves higher. According to McKinsey, women assume that everyone can see exactly how hard they work, and do not feel the necessity to communicate it. This is often detrimental to their careers.

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Nonetheless, companies are becoming increasingly aware of this male-dominated behavior in the workplace. McKinsey's research shows that more and more companies are starting to understand the importance of gender equality and invest capital in order to address the imbalance. Companies have made progress by implementing special training programs to advocate for diversity, redesigning recruitment and promotion processes in order to alleviate gender biases, and setting clear goals to employ women in senior positions. However, companies also express dissatisfaction when their efforts are unsuccessful, since merely creating an initiative does not guarantee results.

Moreover, governments are able to actively influence workplace gender diversity through appropriate policy initiatives. Adequate support, such as childcare facilities and family leave, can help encourage women in the workplace, while legislation, such as tax incentives and the new German gender quota, can also have a positive influence.

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Avivah Wittenberg-Cox, a London-based expert on gender equality in business, argues that in an ideal world, men should endorse mandates to improve gender disparity, as it is so difficult for women to push the issue directly. Wittenberg-Cox continues to remain optimistic and states that Germany’s new legislation shows that “Europe is really going pretty wholeheartedly along the quota line.”

In Norway, it was a conservative male minister who first pushed quotas. Norway did, in fact, become the first country in the world to implement a gender quota in 2003, requiring at least 40% of board members to be women. Norway was soon joined by Spain, France, and Iceland (40% quotas), Italy (33% quota), Belgium (30% quota) and the Netherlands (30% non-binding target).

The European Union has considered passing legislation to allot at least 40% of board seats to women, and although these measures have not yet been passed, the issue of boardroom equality is definitely starting to get attention. With women still globally underrepresented in corporate positions, receiving unequal compensation, and continuously dealing with childcare concerns, the need for legislative solutions is definitely under discussion.

Whether measures such as these will really address the core of the issue remains to be seen, but it is undeniable that giving a voice to women can only enrich and empower male-dominated institutions.

Guido Bormann is the Country Manager for Germany at Pedersen & Partners. Bringing 10 years of extensive experience in the Executive Search industry, Mr. Bormann was previously Country Manager, Germany with additional responsibility for Turkey, Scandinavia and CEE for a multinational recruitment firm. Prior to joining the industry, Mr. Bormann was working in Madrid (Spain) in the fields of renewable energy and for a market leader in the manufacture of wood fibre insulation materials.

Mr. Bormann has a Masters Degree in European Business from ESCP, European School of Management and a Masters Degree from Georgia Augusta University, Goettingen. He speaks native German, fluent English and Spanish.

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