Co-determination and gender diversity on boards – A comparative analysis for Germany and Norway

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Abstract: This study investigates the impact of co-determination on the female representation in supervisory boards. We focus on two countries that both introduced female quotas for supervisory boards: Norway and Germany. In 2008, Norway was the first country to introduce a gender quota on boards. According to the law, all public limited corporations must have at least 40 percent women and 40 percent men on supervisory boards. In 2016, the German legislation introduced a female quota of 30 per cent for all listed co-determined corporations with at least 2000 employees.

This study has two primary goals. First, the goal is to compare Norway and Germany regarding institutions and trends in labor markets that are relevant to the female representation on supervisory boards. We particularly focus on the role of co-determination in both countries. The institutional settings of supervisory boards in Germany and Norway differ with respect to the specific characteristics of co-determination and the introduction of gender-quota. First, the liquidation of Norwegian corporations seems to be a bigger threat than vacant mandates in German supervisory boards until a qualified female candidate has been elected. Second, employee representatives in Norwegian supervisory boards are elected by the employees directly but there are no representatives provided by the union. This is one crucial difference compared to Germany, where employee-representatives at supervisory boards can be union members who are not working in the particular corporation.

Second, the goal is to investigate with comprehensive firm level panel data whether co-determination has a significant impact on the gender diversity in supervisory boards. Previous studies indicate a descriptive positive correlation of co-determination and the number of female representatives on German supervisory boards. The first analysis of the Norwegian dataset reveals that co-determination has a positive effect on the probability for women to become a director on the board.

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