RESPONSIBLE INVESTING

Addressing Gender Power Imbalance in the Executive Suite

By: John Streur | May 5, 2022

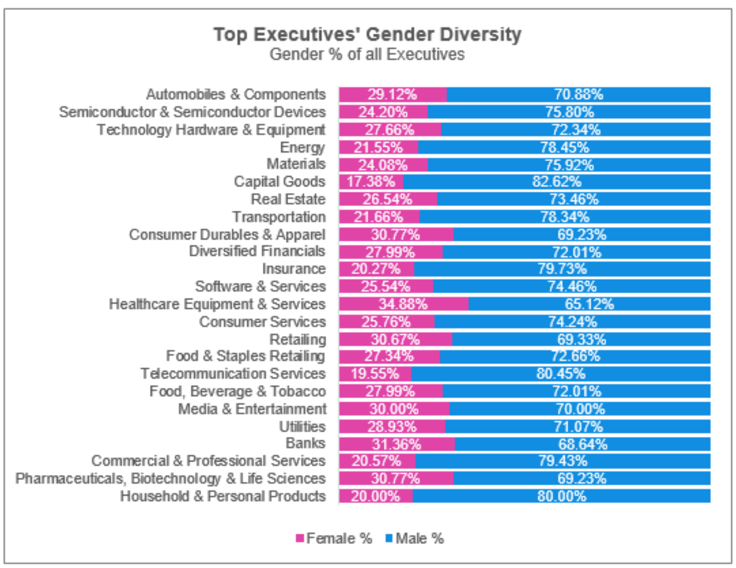
Washington - Roger Waters and Pink Floyd wrote about money and power in 1973. Their sentiment is still relevant in 2022, nearly 50 years later. The U.S. has made progress adding women to the executive suite, but new analysis[1] shows that we still have a massive power imbalance across public companies and are unlikely to achieve the benefits of gender diversity with this ongoing problem. The conditions in society have changed, and public companies are lagging far behind in their internal demographics and power dynamics. Most are not well equipped to address their needs in today's labor market. Investors should focus on what is changing and how companies are responding to change.

How Far Have We Come?

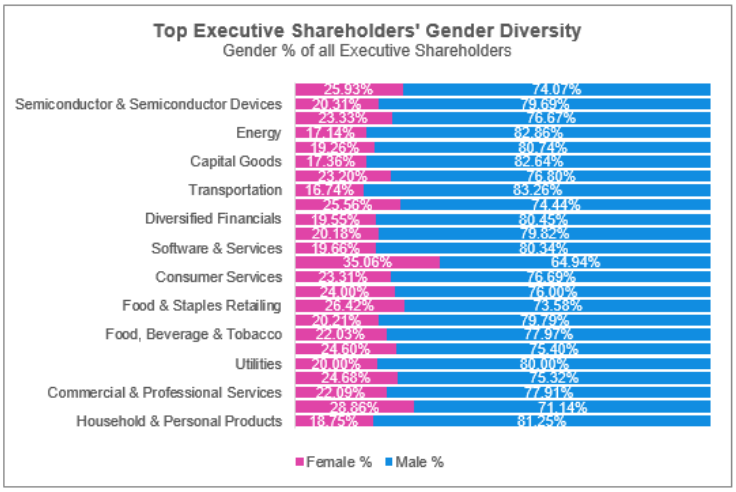
The share of women in the overall U.S. labor force has increased significantly over the past 60 years. Today, women account for nearly half (47%) of the labor force population, up from one-third (33%) in 1960.[2] In parallel, the trend toward gender balance is also seen in educational attainment. The share of women 25 years old and older who have achieved a bachelor's degree or greater is now slightly above that of men (38% versus 37%).[3] These data points indicate that the skilled workforce of today and the future is gender balanced. Furthermore, they suggest that a progression toward greater gender diversity will continue to occur in the labor markets. However, public companies are behind the curve in addressing this evolution within their employee populations.

What Does Gender Balance Look Like Today Within Executive Levels?

Despite accounting for nearly half of the U.S. labor force today, women remain largely underrepresented in top executive roles at public companies. Progress has been made in recent years, with female representation in these roles among S&P 500 companies increasing from just over 23.5% to 25.34% over two years.[4] The story here varies by industry; even at the high end of the gender equity spectrum, women still only account for 35% of Healthcare Equipment & Services executives. Capital Goods companies hold the lowest relative representation, with women accounting for roughly 17% of executives.[5]



Source: Bess P.-C. Hsieh, Katharina H.I. Hoepner, Andreas G.F. Hoepner & Florian Faust, Sociovestix Labs, April 2022



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Across the universe of S&P 500 companies, progress toward gender balance needed to match societal change is slow; women continue to occupy much less than half of executive positions.

The story of gender imbalance evolves further if executive shareholder data is considered. While women account for 25.34% of executives today, they represent only 22.07% of executive shareholders.[6] The dynamic shifts even more dramatically when analyzing the percentage of stock held by women executives. Only 1.99% of the value of all executive shareholder stock is currently held by women.[7] While progress among public companies has been made to increase representation of women at varying levels, the power dynamic has remained largely unchanged at the top. The 1973 Pink Floyd song "Money" still rings true today in the lyric "keep your hands off of my stack." Change is particularly difficult when money is involved. Without strong leadership from corporate boards to adjust compensation practices that align with gender balance, entrenched power dynamics are unlikely to change quickly enough for corporations to catch up to society.

Where Do We Go From Here?

Investors need to focus on what is changing and how companies are responding to change. The data on gender balance in the U.S. establishes an imperative for companies to improve on creating the right work environment for women. Therefore, more must be done by responsible investors to help companies improve and get on the right side of these very obvious and powerful trends.

Further, companies rely increasingly on human capital to generate return on invested capital (ROIC). Skilled human capital is at a premium, and companies that address the issue of gender balance properly are better positioned than those that do not to compete for scarce talent in today's labor market. Boards need to adjust compensation practices and establish fair and equitable workforces. Otherwise, companies may lose out on the ability to compete across the labor pool and enjoy the benefits of a competitive workforce today.

Bottom line: At Calvert Research and Management, we leverage a set of principles that provide a framework for our evaluation of investments and guide our stewardship on behalf of clients through active engagement with companies and other issuers. Promotion of diversity and gender equity across workplaces, marketplaces and communities is a key characteristic we consider when evaluating companies that operate in a manner that is consistent with or promote these principles.

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1. Data courtesy of Bess P.-C. Hsieh, Katharina H.I. Hoepner, Andreas G.F. Hoepner & Florian Faust, Sociovestix Labs, April 2022. Used with permission.

2. U.S. Bureau of Labor Statistics, Current Population Survey, 1960-2020 annual averages.

3. U.S. Census Bureau, Current Population Survey, 2020 Annual Social and Economic Supplement.

4. Data courtesy of Bess P.-C. Hsieh, Katharina H.I. Hoepner, Andreas G.F. Hoepner & Florian Faust, Sociovestix Labs, April 2022. Used with permission.

5. Ibid

6. Ibid

7. Ibid

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