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Progress Toward *Gender Parity*

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March is Women's history month and is often marked in the United States by celebrations emphasizing women's contributions to society. Each year, the National Women's History Project designates a theme for the commemorations. This year's spotlight is "Women Who Advocate for Equity, Diversity, & Inclusion" - a theme that recognizes women who courageously advocate for diversity of opinion, thought, and equality across communities, governments, and businesses. While gender equity is one component of diversity, senior leaders may be more poised to speak up or lead by example through demonstrating or advocating for "freedom of opportunity" as the theme suggests.

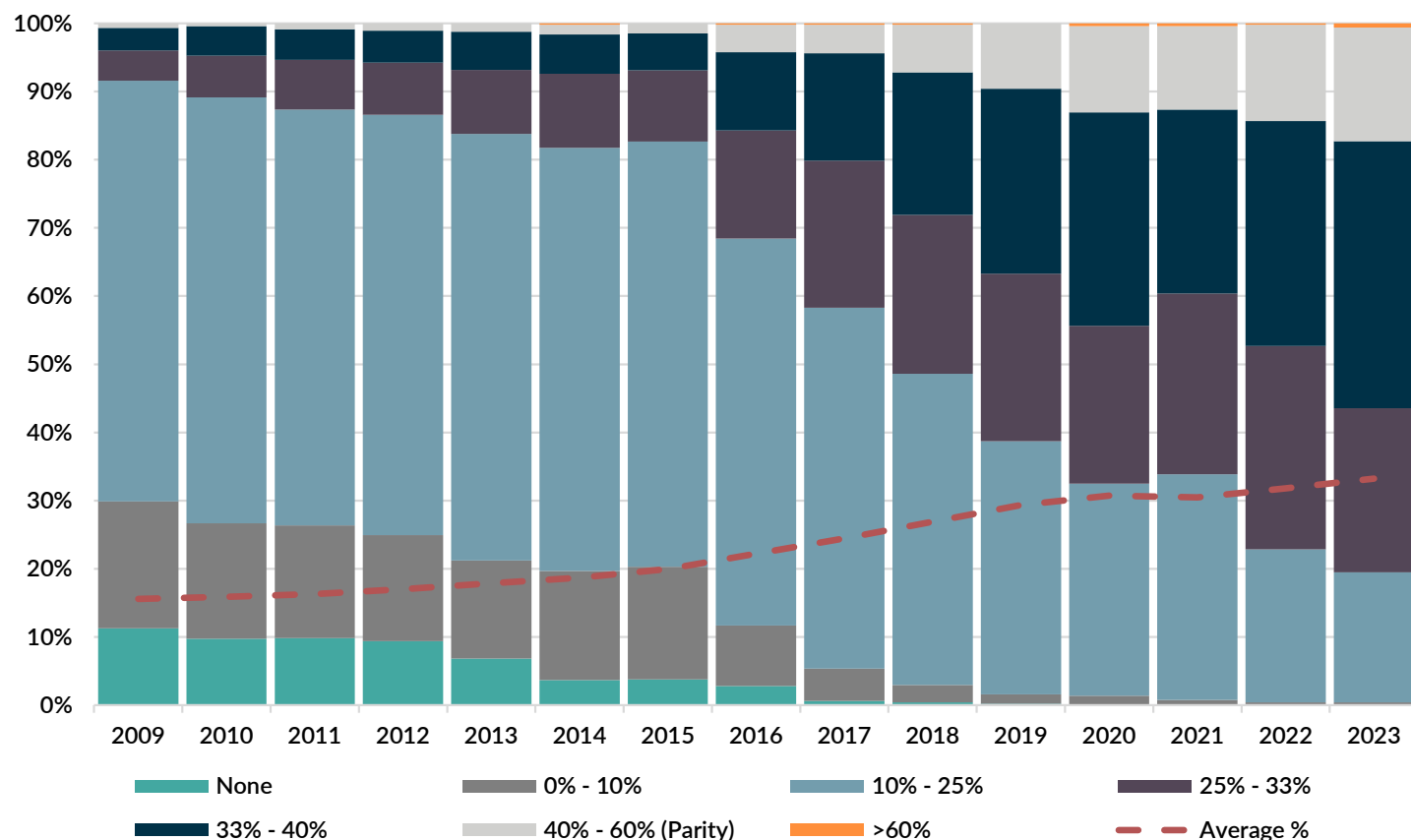
With this backdrop in mind, below we tell the story of progress made over the past decade or so in representation of women at the executive suite level across public companies in America (S&P 500) and discuss investment implications. While we celebrate the advances made, we acknowledge that there is still further room to achieve gender parity, defined as 40% to 60% of either gender in both the general workforce and senior management, according to the International Labour Organization.¹

Board of Directors Representation

Advancement toward gender parity is often defined across several dimensions – from representation and “a seat at the table” to pay equity, health and safety outcomes, educational opportunities, supplier policies, and firm ownership.² Given that data for many of these areas is unavailable, the number of women in leadership positions, like board membership and senior management, is often used as a metric to reflect the ability of women to advance in the workplace. The assumption is that the executive ranks of the largest companies in the U.S. should reflect the gender makeup of the U.S. population (representing both the potential employee and consumer bases) of 50.5% women³.

This data promisingly shows that since 2008 there has been a steady increase in the number of women on boards. Though progress appeared to dip during the pandemic in 2021, it has since reversed course. We are seeing many fewer companies with less than 25% of women on boards, and most firms now have somewhere between 33 and 40% representation.

Percent of Women on Boards - S&P 500



Sources: Glenmede Investment Management, FactSet
Returns represent past performance and are not guarantees of future results.

As of 12/31/2023

For example, in 2009 no company in the S&P 500 was over parity (>60% female), 3 companies were at parity and 51 had zero representation of women on the board. Recent data shows 87 are at or over parity, with 3 of these companies over parity (>60% female) and no company has zero representation. While this upward trajectory certainly looks encouraging for gender aware investors, the share of the S&P 500 at or over parity remains around 17% (87 out of 503 companies as of 12/31/23).

Historically, levels of representation differed by sector, but these differences have narrowed. For example, in 2009, energy companies had average levels of representation of around 8% versus the communication services sector which had an average above 22%. By the end of 2023 this gap narrowed – energy companies had an average representation above 30%, just shy of communication services 31% average. In other words, progress is widespread and not concentrated within certain types of companies, but a clustering is now occurring in the 30 to 35% range.

Women in Management Representation

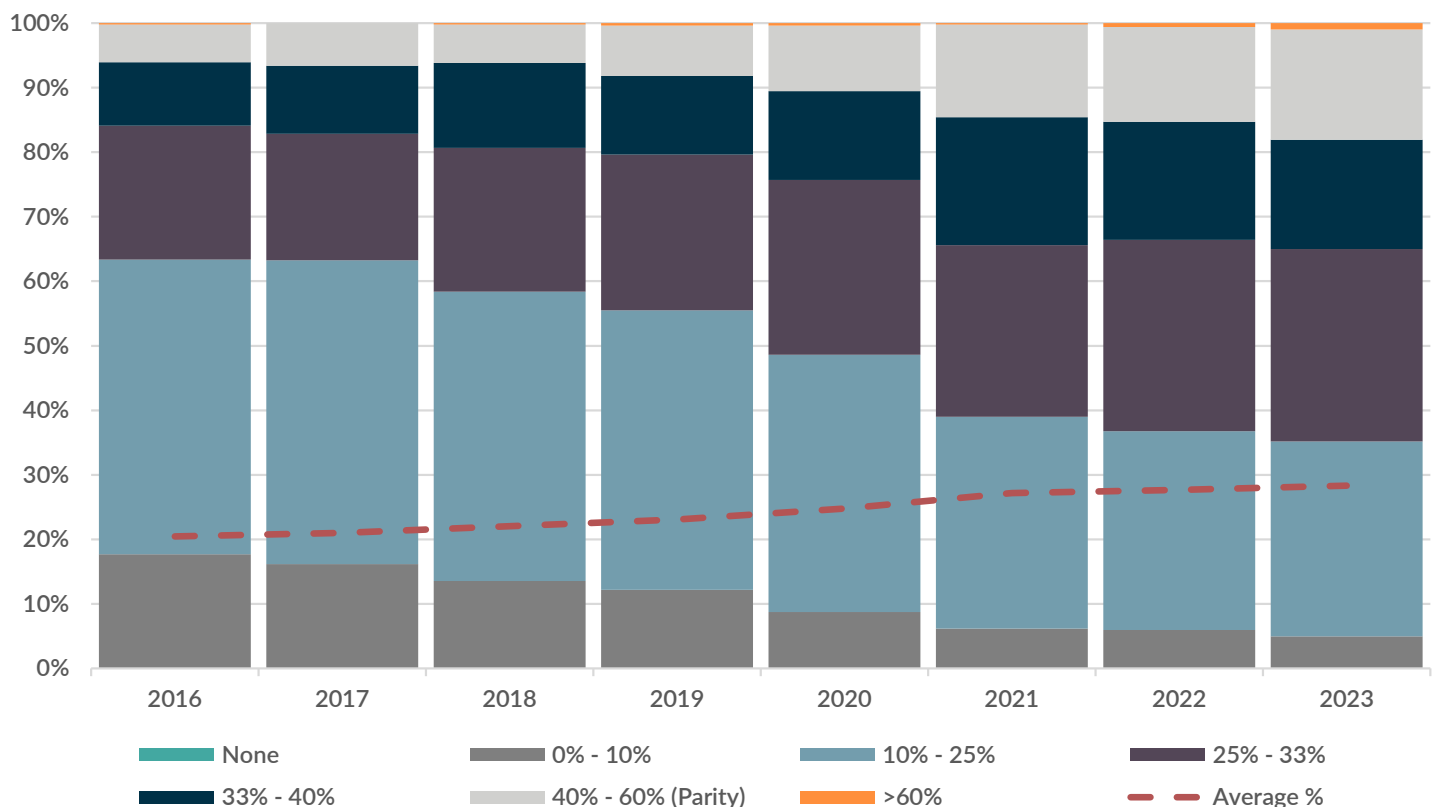
Progress within senior management roles follows a similar trajectory as board membership with a shift from lower

to higher levels of representation over time. While in 2016 nearly two-thirds of companies had fewer than 25% women in senior management positions, by 2023 this figure had fallen to only one-third. Like the board representation numbers, representation seems to have stalled, with a comparable number of companies meeting parity in management ranks (17%).

While a broader sample set of companies than the S&P 500, a recent *Women in the Workplace*^{4,5} report from McKinsey in partnership with LeanIn.Org noted that 48% of entry level workers were female as of the beginning of 2023. However, for the ninth consecutive year, fewer women than men were promoted to the critical first step of manager. For every 100 men promoted, 87 women were promoted. The underrepresentation of women at that first critical step of promotion to manager creates a “broken rung” to more senior levels, with the percent of women declining the greater the seniority of the role. The reasons why this “broken rung” exists are beyond the scope of this paper, but provide some understanding why female representation at senior levels may remain below gender parity.

From a sector perspective, communication services companies have the highest levels of gender diversity in senior management. While the energy sector has improved

Percent of Women in Management - S&P 500



Sources: Glenmede Investment Management, FactSet
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(up from 17.8% to 22.7%), this improvement lags its success with board representation (from 8% to greater than 30%) over the same period. This could reflect the harsh reality of building a talent pipeline – there's a difference between recruiting externally for board members who may or may not have direct industry experience versus developing and promoting experienced employees within a firm.

Is Gender Equity Representation Cumulative?

These stats beg the question – is stronger gender equity representation cumulative? That is, is a firm with strong board representation more likely to have higher management representation or vice versa? In our research, we find that firms with greater female representation on the board or in management also tend to have greater female representation in the other. However we did not find that increases in women on boards led to increases in women in management, or vice versa. In other words, companies that believe in gender equity tend to be consistent across both management and board representation in their level of inclusion, or perhaps conviction, in gender diversity.

Investment Implications

For investors with a focus on gender equity in public markets, the narrative above tells a positive, but nuanced story. The number of companies making progress in representation implies a growing cohort of companies

are approaching true gender parity. When viewed in the context of an investment strategy tilting towards companies with stronger gender equity representation, this dynamic creates a wider range of companies to choose from within and across sectors, enabling more efficient diversification within portfolio construction. The apparent ceiling in the 33% - 40% representation bucket implies continued barriers toward board or management parity (40-60% representation of women) – the causes of which are presumably complex. For this reason, we believe a broader approach to gender equity is warranted in investment analysis to help determine the root causes of these barriers. We would like to incorporate and test data around resources, policies, and programs that support gender diversity at all levels of the workplace to determine how that affects leadership metrics. Most importantly, continued research into the connectivity of women in leadership characteristics to risk and return outcomes will be essential to demonstrate the extent to which gender equity is simply good business.

For more information on our approach to gender equity investing and its connecting to risk and return outcomes, please see our 2023 Environmental Finance Sustainable Investing Thought Leadership of the Year piece titled [“Gender Equity Investing in Active Management: A Broadening Approach.”](#)

- ¹ The Business Case for Change. International Labour Organization. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_700964.pdf
- ² 2023 Gender Equality Global Report & Ranking. Equileap. https://equileap.com/wp-content/uploads/2023/03/Equileap_Global_Report_2023.pdf
- ³ United States Census Bureau. <https://www.census.gov/quickfacts/fact/table/US/LFE046222>
- ⁴ Women in the Workplace 2023 Report. McKinsey & Company. <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/women-in-the-workplace>
- ⁵ Women in the Workplace 2023. LeanIn.Org. <https://leanin.org/women-in-the-workplace>

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