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Win-win

How empowering women can benefit Central and Eastern Europe

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Joanna Iszkowska
Kamila Kawecka
Júlia Lázár
Márta Matécsa
Paweł Nawrocki
Jurica Novak
Dániel Róna
Iva Štverková

About McKinsey & Company

McKinsey & Company is a global management consulting firm committed to helping organizations create change. In more than 130 cities and 65 countries our teams support clients across the private, public and social sectors. We help them shape bold strategies, transform the way they work, embed technology where it unlocks value and build capabilities to sustain change—not just any change, but change that matters: for their organizations, their people and for society at large.

About McKinsey in Central Europe

McKinsey & Company opened its first offices in Central and Eastern Europe in the early 1990s, soon after the momentous democratic changes that took place across the region. We played an active role in the region's economic rebirth, working with leading business organizations, governments and nonprofit organizations. With offices in Belgrade, Bucharest, Budapest, Kyiv, Prague, Warsaw and Zagreb, we serve clients across a wide range of industries, including automotive, banking and insurance, retail, heavy industry, high tech, media and telecommunications.

McKinsey research into diversity and inclusion

Over the past decade, McKinsey has invested around $20 million in research into diversity and inclusion (D&I), publishing groundbreaking reports such as *Diversity wins* (2020), *The economic impact of closing the racial wealth gap* (2019), the annual *Women in the Workplace* study and the *Power of Parity* series (both since 2015). Our research demonstrates that diversity and inclusion go hand in hand with business performance. Our own experience of cultural transformation also informs our Diversity & Inclusion service line, which has advised clients since 2015 as they address relevant issues within their own organizations, using innovative capabilities based on behavioral psychology, proprietary tools and technology-driven solutions.

Contents

Preface

This study investigates the topic of gender equality in Central and Eastern Europe (CEE), both in companies and more broadly within society.

In recent publications, such as *Digital Challengers in the next normal*, our analysis has shown that CEE urgently needs to find new sources of economic competitiveness. Other McKinsey research and that of many other organizations has found that diversity and inclusion could be a source of competitiveness, driving economic growth and enabling better performance by individual companies.

As fundamental European values, diversity and inclusion are the subject of a range of European Union legislation, covering topics varying from gender equality and sexual orientation to ethnic origin and disability.[1] There are many aspects of diversity and inclusion in the CEE region where attention and additional research may be needed, such as the inclusion of the LGBTQ+ community[2,3] and of millions of Roma people[4].

In this study, however, our analysis focuses on the women's empowerment and the economic activity of the approximately 67 million women in seven countries in CEE: Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia and Ukraine. Women account for 52 percent of the overall population of these nations and more than 60 percent of all of university graduates. Yet, they make up just 45 percent of the labor force and even less in management positions. According to our analysis, closing the gender gap in CEE could unlock as much as 146 billion euro in annual GDP by 2030.

In the following pages we look at the potential benefits of greater gender equality for businesses and for society in general, identify barriers to progress, and pinpoint potential actions that could help shift the needle on equality.

This study builds on earlier publications by McKinsey & Company, in particular *Diversity Wins*, W*omen in the Workplace*, *Women Matter*, *Women and the Future of Work*, and the *Power of Parity* series, also the Polish and Czech reports in this series published in the local languages.

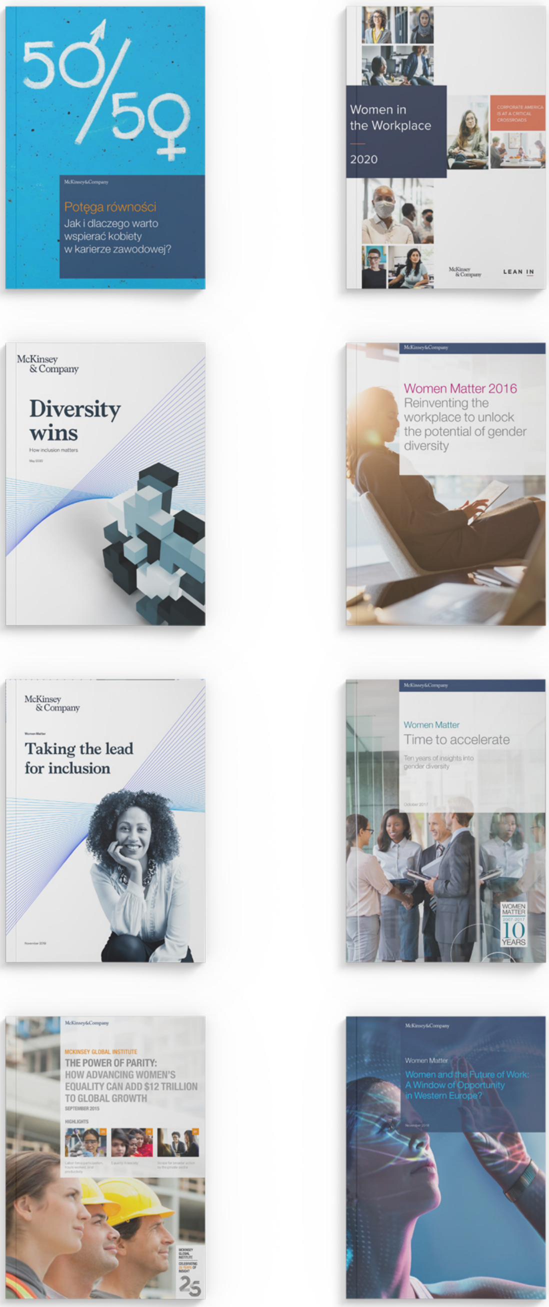
We would like to take this opportunity to thank the authors of these publications and the leaders of diversity and inclusion at McKinsey for their expertise, inspiration, and guidance. Our particular thanks are due to Jess Huang (Partner, Silicon Valley), Lungile Makhanya (Manager, London), Maria del Mar Martinez Márquez (Senior Partner, Madrid), Anu Madgavkar (Partner, New Jersey), Sandra Sancier-Sultan (Senior Partner, Paris), Julia Sperling-Magro (Partner, Frankfurt) and Alix de Zelicourt (Associate Partner, Paris).

Work on this report was led by Jurica Novak (McKinsey's Managing Partner in

Central Europe), Dániel Róna (Partner, Budapest), Márta Matécsa (Associate Partner, Budapest) and Paweł Nawrocki (Associate Partner, Warsaw). These individuals worked with a team consisting of Kamila Kawecka, Júlia Lázár, and Iva Štverková (Consultants), Joanna Iszkowska (Head of Communications in CEE) and Małgorzata Leśniewska (Graphic Designer).

To validate our findings and act as a sounding board for our insights, we created a panel of CEE leaders at McKinsey consisting of Eleonóra Bacsó (Director, Diversity & Inclusion in EMEA), Agnieszka Czabańska-Zielińska (Associate, Warsaw), Gosia Gontarz (Director of the Client Capability Hub, Wrocław), Olga Gordusenko (Senior Knowledge Expert, Kyiv), Wojciech Kazanecki (Capabilities and Insights Team Leader, Wrocław), Martina Konecna (Diversity & Inclusion Specialist, CEE), Evgenia Novikova (Professional Development Manager, CEE), Ivana Novosel (People Director, CEE), Helena Šarkanova (Partner, Czech Republic) and Ivana Valachovicova (Manager, Prague). We are grateful for their inspiration and guidance.

We would further like to express our gratitude to the many executives and experts from across the region who shared their personal stories and perspectives on gender parity, provided insights and data, and helped advance our thinking.



Executive summary

Since the transition to a market economy three decades ago, Central and Eastern Europe (CEE) has enjoyed what many have called a golden age of growth. The region recorded an increase in per capita GDP of around 110 percent in the 15 years between 2004 and 2019.[5] However, the factors driving that growth— such as labor-cost advantages and strong traditional industries—are now losing momentum. CEE needs to find new sources of competitiveness.[6]

In our recent publications we have investigated the case for digitization, automation, and a new focus on sustainability.[7] The current report explores another promising source of growth: closing the gender gap in the workplace. In the seven CEE countries analyzed here—Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Ukraine—women account for 52 percent of the overall population and more than 60 percent of college graduates. Yet, they make up just 45 percent of the labor force.[8]

The reasons for this gap are complex, but consider the impact: a significant part of the population of CEE is failing to realize its full potential contribution to the region's economy. That potential contribution is huge, our research shows. According to our calculations, stepping up efforts to close the gender gap in CEE could unlock as much as

44%

of leading companies in CEE do not have a single woman in an executive role

€146 billion in annual GDP by 2030, or roughly the size of the economies of Slovakia and Croatia combined.[9] That could put the region squarely back on a path to dynamic growth after the challenges of the COVID-19 pandemic.[10]

Female empowerment unlocks value

An additional €146 billion a year represents an 8 percent increase over a business-as-usual scenario. Analysis by the McKinsey Global Institute (MGI) indicates that this extra GDP could be achieved with three factors: greater participation of women in the workforce, increased paid hours worked by women, and better representation of women in high-productivity sectors.[11] A "full parity" scenario, where women match men across all three indicators, would more than double that impact.

Increasing the participation of women in the workforce would go a considerable way toward solving CEE's expected labor shortage. The region currently has 630,000 vacancies across its constituent countries.[12] If CEE returns to its pre-pandemic (2010–19) growth rate, this vacancy rate could increase to more than two million by 2030—less than the extra 2.5 million women who would potentially join the workforce if countries in CEE made efforts to close the gender gap.[13] Moreover, the sectors expecting to see the steepest increase in demand for new employees are healthcare and social work, retail and wholesale, and manufacturing.[14] Given that nearly half the female labor force in CEE today works in one of these three sectors, women are well positioned to fill a large proportion of these vacancies.

Improving the participation of women in the workforce is only part of the value that gender parity can deliver, however. McKinsey research conducted over the last decade indicates that there is a business case for diversity. For example, our studies have shown that a larger share of women in top management positions correlates to better financial performance by individual companies.[15] To confirm that this correlation also applies to companies in CEE, we augmented data from a five-year global study by McKinsey that looked at more than 1,000 large companies in 15 different countries by adding new information from more than 200 major companies in the Czech Republic, Hungary, and Poland. Our analysis of the entire data pool revealed that companies with the greatest gender diversity in their executive teams have shown above-average profitability 26 percent more often than those with the least diverse executive teams or no female representation at this level.

Further evidence for the value of closing the gender gap at a leadership level comes from the McKinsey Organizational Health Index (OHI), based on survey responses from more than 1 million employees across 350 companies.[16] The OHI shows that workplaces with more women in executive positions are characterized by leadership styles and management practices that are well suited to the organizations of the future.[17] That includes factors such as a more open and trusting environment, a shared vision and clear purpose, and supportive leaders who empower their employees.

CEE started out strong, but progress has been modest

Equality at work and equality in society go hand in hand. The MGI Gender Parity Score (GPS) looks at 15 different indicators related to workplace and social factors, shedding light on where the greatest challenges lie.[18] While the CEE region scores well above the global average on gender equality in terms of its GPS, it trails Western Europe and especially the Nordic countries. The greatest inequalities in CEE relate to leadership positions, unpaid work, legal protection, and political representation. In this report we focus on the first two areas: the underrepresentation of women in leadership positions and the challenge of unpaid work placed upon them.

As mentioned above, women make up more than 60 percent of college graduates and 45 percent of the workforce of CEE. Around 37 percent of all managers are female.[19] The higher up the corporate hierarchy, the more evident the lack of gender equality. Thus, women hold 20 percent of executive roles in CEE and eight percent of CEO positions. 44 percent of leading companies in CEE do not have a single woman in an executive role.[20]

This finding may be surprising because CEE is coming from a position of relative strength. In 2012, the share of female executives in CEE was 14 percent, just one percentage point behind the Nordic countries and a full five percentage points ahead of Western Europe.[21] Fast forward to 2020, however, and the gap between CEE and the Nordic countries had grown sixfold, while Western countries had reduced the amount by which they trailed CEE to just three percentage points.[22] The pace of change has differed significantly between the various regions, and progress in CEE has been modest. Indeed, if CEE continues improving at its current pace, it will be overtaken by Western Europe in 2028 and will not achieve full parity until 2062—almost a decade after Western Europe and more than two decades after the Nordic countries.[23] While the progress has been modest, CEE has a high chance of improving gender balance at the top executive level given the relatively high percentage of women at managerial positions. This however, requires active effort and commitment.

Ambition is not a challenge

To find out why there are so few women in executive positions in CEE, we surveyed more than 3,000 women and men working at companies with more than 500 employees in the Czech Republic, Hungary, and Poland. The results were as follows:

— **Women are as ambitious as men, but they perceive more barriers to promotion.** Men and women showed almost the same level of interest in getting promoted (57 percent of women versus 56 percent of men). However, 28 percent of women said that their gender made it harder for them to secure a raise or a promotion. And while 66 percent of men were confident that they could make it to the top leadership positions, only 62 percent of women thought that they could do so.

Stepping up efforts to close the gender gap in CEE could unlock as much as EUR 146 billion in annual GDP by 2030. That could put the region squarely back on a path to dynamic growth after the challenges of the COVID-19 pandemic

— **Women blame themselves, men blame others.** Women who thought that they were unlikely to make it to the top said it was because they lacked the necessary skills (43 percent) or the right leadership style (38 percent), or that promotions to top executive positions were not based on merit (33 percent). When we asked men why they thought that they—men—were unlikely to make it to the top, a far smaller proportion said that they lacked the necessary skills for the job (eight percentage points less than for women) and a much larger share said that it was because promotions were not based on merit (ten percentage points more than for women). In other words, women are more likely to blame their own shortcomings for their failure to become executives, while men are more likely to blame the shortcomings of their company.

Unpaid work is a major barrier

In our survey of more than 3,000 employees, 27 percent of women gave another reason for why they were unlikely to make it to the top: the lack of work-life balance. Just one-fifth of men said the same. According to a 2018 survey by Eurostat, almost 70 percent of women in CEE perform household chores daily, compared to 22 percent of men. In addition, nearly 40 percent of women provide daily unpaid care work (looking after children, the elderly, or people with disabilities).[24] This is twice as many as men. Essentially, female employees are still working a “double shift”.

COVID-19 has meant changes

The effects of the COVID-19 pandemic have meant that both women and men are now spending more time on household chores and unpaid care work, as many employees and schools sent workers and children home to work and learn remotely. However, the increased burden has fallen more on women than on men. More than 40 percent of female respondents in our survey said that the pandemic has meant that they are more likely to consider scaling back on their paid work—reducing their working hours, changing to a part-time role, switching to a less demanding job or leaving the workforce altogether, for instance. For women with children under the age of ten the figure was as high as 54 percent. Interestingly, we found the opposite pattern for men: just 25 percent of men with children under the age of ten said they considered scaling back, compared with 34 percent of men overall.[25] It would appear that fathers with young children in CEE have not felt pressured to cut down on their paid work so much, implying that their female partners have shouldered the burden of scaling back for them.

Women make up more than 60 percent of college graduates and 45 percent of the workforce of CEE. Yet, just 37 percent of all managers are female

The time to act is now

Action to improve gender representation in the work place in CEE could help the economy. As we have seen, COVID-19 poses additional challenges. If the countries of CEE now hope to return to the macroeconomic growth trajectory that they were enjoying prior to the pandemic and keep up with or even overtake their peers in the rest of Europe, they may need to consider how to course correct the current imbalance.

With this in mind, we have identified four distinct areas that could help policy makers and businesses facilitate gender parity:

I. **Shared vision:** Closing the gender gap is a complex process, and governments and companies would be well advised to take a structured approach. Ideally, this would include formulating an aspiration, creating an agenda of goals and actions addressing the gaps identified, and measuring and regularly communicating the progress. Broad coalitions between the public and private sectors can be especially powerful here, as shown by the *Chefsache*[26] initiative, a network of public and private-sector leaders in Germany committed to making gender balance a top management priority, and the *Champions of Change* program in Australia[27] and Poland.[28]

II. **Career support schemes:** To bring more women into the labor force and realize the goal of generating an additional €146 billion in annual GDP by 2030, special support schemes for underrepresented talent could be launched. Policymakers could consider monitoring which industries are growing the fastest and which will be the most affected by automation; they could then decide on that basis where best to invest in vocational training schemes. Companies can invest in professional capability building, such as management training programs, and set up sponsorship schemes to help women, as well as other underrepresented groups, move up the corporate ladder. Special skills training courses and recruiting programs for women can help correct the gender imbalance in specific industries. Complimentary efforts may also be needed to educate younger generations about their study and career choices.

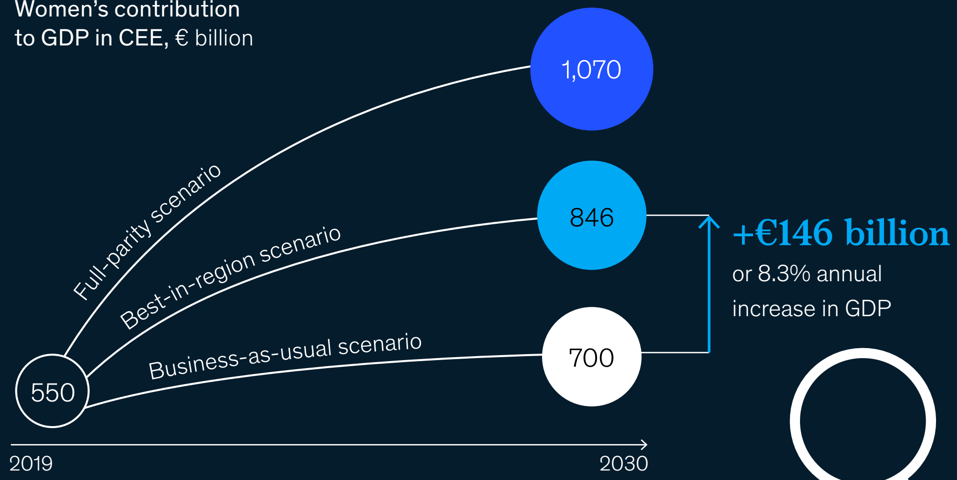
III. **Work-life balance:** Progress on gender parity depends critically on women and men both being in a position to balance their private and professional lives. Efforts could be made to improve the availability of flexible work arrangements (part-time work, remote work, flexible working hours), introduce or increase paternity leave, and improve the availability of affordable, high-quality childcare services. In addition, companies could strengthen their return-to-work programs to help people maintain networks, skills and knowledge during periods of care leave.

IV. **Social norms and attitudes:** Shifting the cultural factors underlying gender inequality is a complex undertaking. Our research shows that ensuring that the leaders of companies and public institutions are visibly engaged in efforts to reduce the gender imbalance, rather than delegating this work to “diversity officers,” can make a real difference. The leadership should build an understanding of benefits their organization can gain from having more diverse teams among their employees and actively tackle gender stereotypes and unconscious bias in recruiting and promotions. Female role models at the highest level are also essential.

Key numbers

CEE could add €146 billion a year to GDP by 2030 by tapping into women's potential

Women's contribution to GDP in CEE, € billion



- 2.5 million more women in the workforce
- Women able to work ~2 paid hours more per week
- More women employed in most productive sectors

CEE lags behind on gender equality in society, while keeping up with the rest of Europe on gender equality at work

Gender Parity Score (GPS)

	Overall	At work	In society
CEE	0.73	0.70	0.75
Nordics	0.84	0.76	0.89
Western Europe	0.76	0.67	0.82
World	0.61	0.52	0.67

Level of gender equality

- High: 0.95–1
- Medium: 0.75–0.94
- Low: 0.50–0.74
- Extremely low: 0–0.49

CEE businesses could benefit from higher gender parity in leadership positions

Share of companies with above-average profitability grouped by gender diversity of executive team, 2019

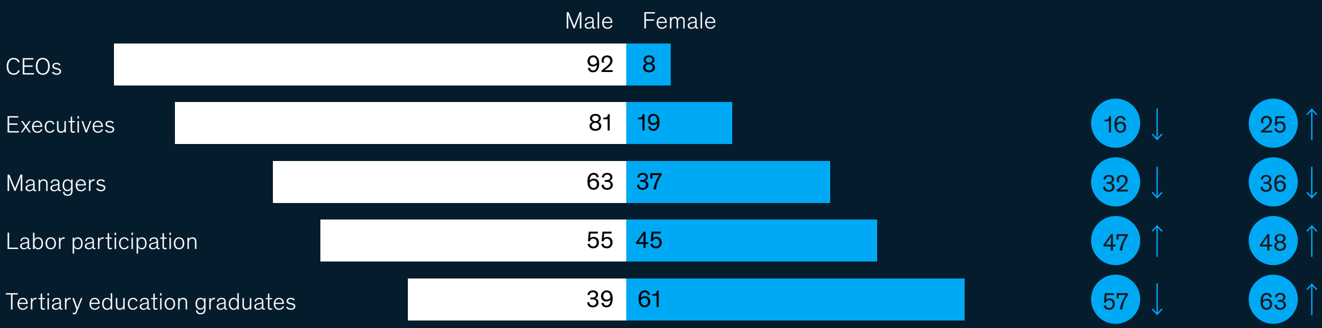
Companies with more than 30% female executives

Companies with no female executives

Women are underrepresented in leadership positions, despite a high share of labor force and graduates

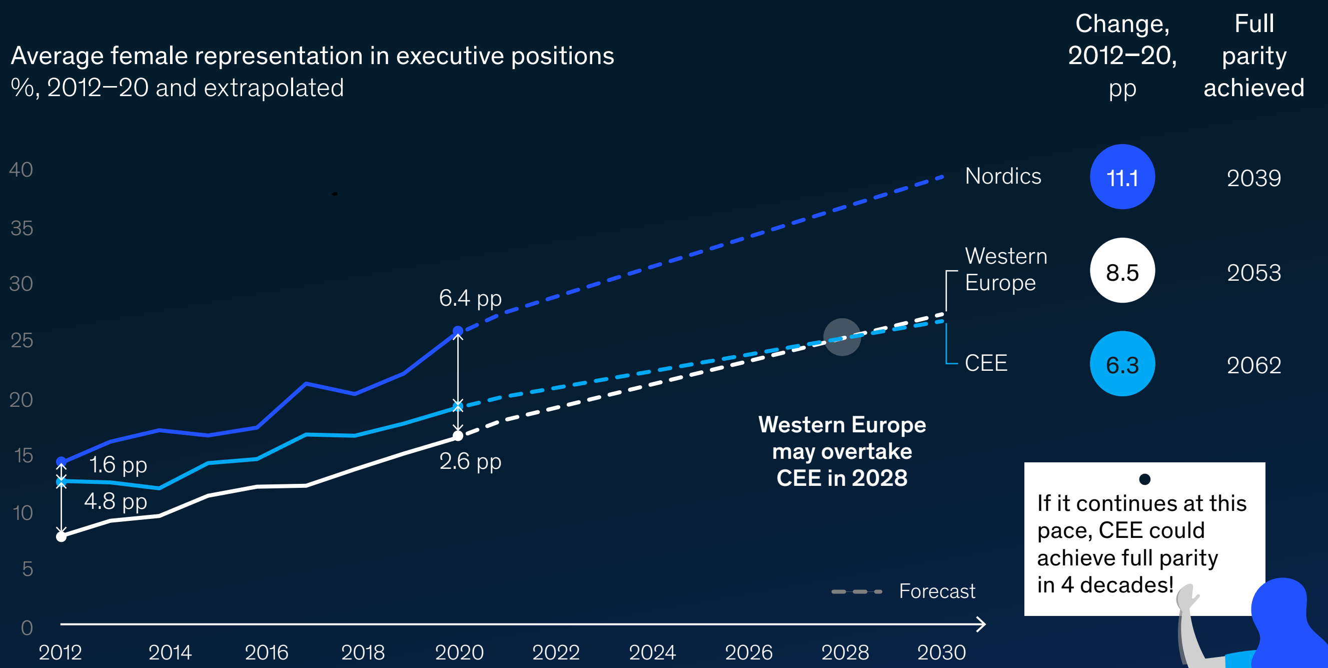
↑ Higher than CEE
↓ Lower than CEE

Female representation along the corporate ladder in CEE
%



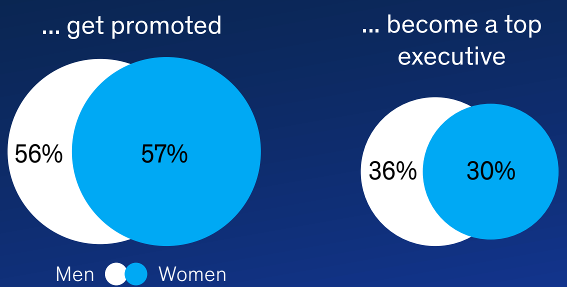
CEE is coming from a strong position, but the modest progress in female executive representation will likely take away the advantage

Average female representation in executive positions
%, 2012–20 and extrapolated

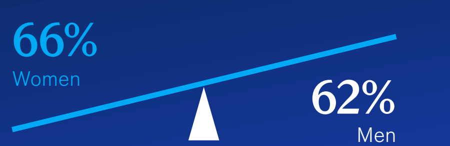


Women are as ambitious as men, but they perceive more barriers to promotion

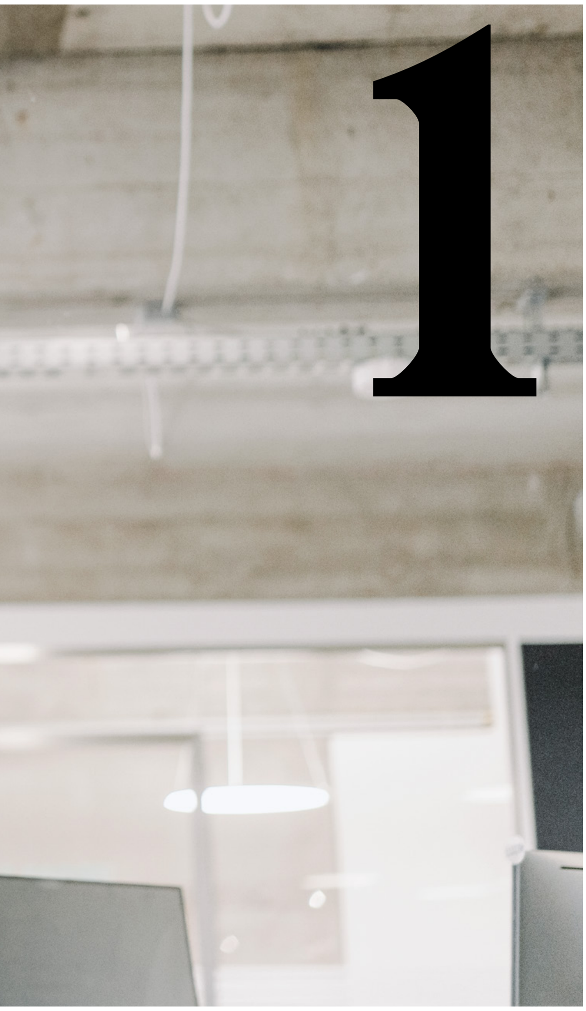
Share of women and men who want to…
n = 3,082



Share of those who want to become a top executive yet consider it unlikely
n = 1,110



Source: McKinsey Global Institute analysis; Diversity Matters dataset; OECD; Eurostat; Ukrstat; UNDP Ukraine; McKinsey CEE Diversity Survey, 2021; company annual reports; company websites



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Benefits of gender parity in Central and Eastern Europe

Since the transition to a market economy three decades ago, Central and Eastern Europe (CEE) has enjoyed what many have called a golden age of growth. The region recorded an increase in per capita GDP of around 110 percent in the fifteen years between 2004 and 2019.[29] However, the factors driving that growth—such as labor-cost advantages and strong traditional industries—are now losing momentum. CEE needs to find new sources of competitiveness.[30]

In our recent publications we have investigated the case for digitization, automation, and a new focus on sustainability.[31] The current report explores another promising source of competitiveness: closing the gender gap. In the seven CEE countries analyzed here—Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Ukraine—women account for 52 percent of the overall population and more than 60 percent of college graduates. Yet, they make up just 45 percent of the labor force.[32] A significant part of the population of CEE is thus failing to realize its full potential contribution to the region's economy.

Research led by McKinsey and many other institutions has indicated that narrowing the gender gap has a number of advantages for entire economies, societies, and individual companies. Not only does it benefit a country's economy, it also helps address challenges such as the aging population and shortages in the labor force. In addition, our research shows that at the level of individual companies, having a higher proportion of women on the leadership team correlates with improved financial performance. Not only that, companies with more diverse executive teams tend to embody a variety of leadership styles and practices and benefit from greater agility, putting them in a superior position to cope with the challenges of tomorrow's workplace. In this report, we validate these findings for Central and Eastern Europe, we look at CEE-specific barriers to greater gender equality, and we provide region-specific recommendations.

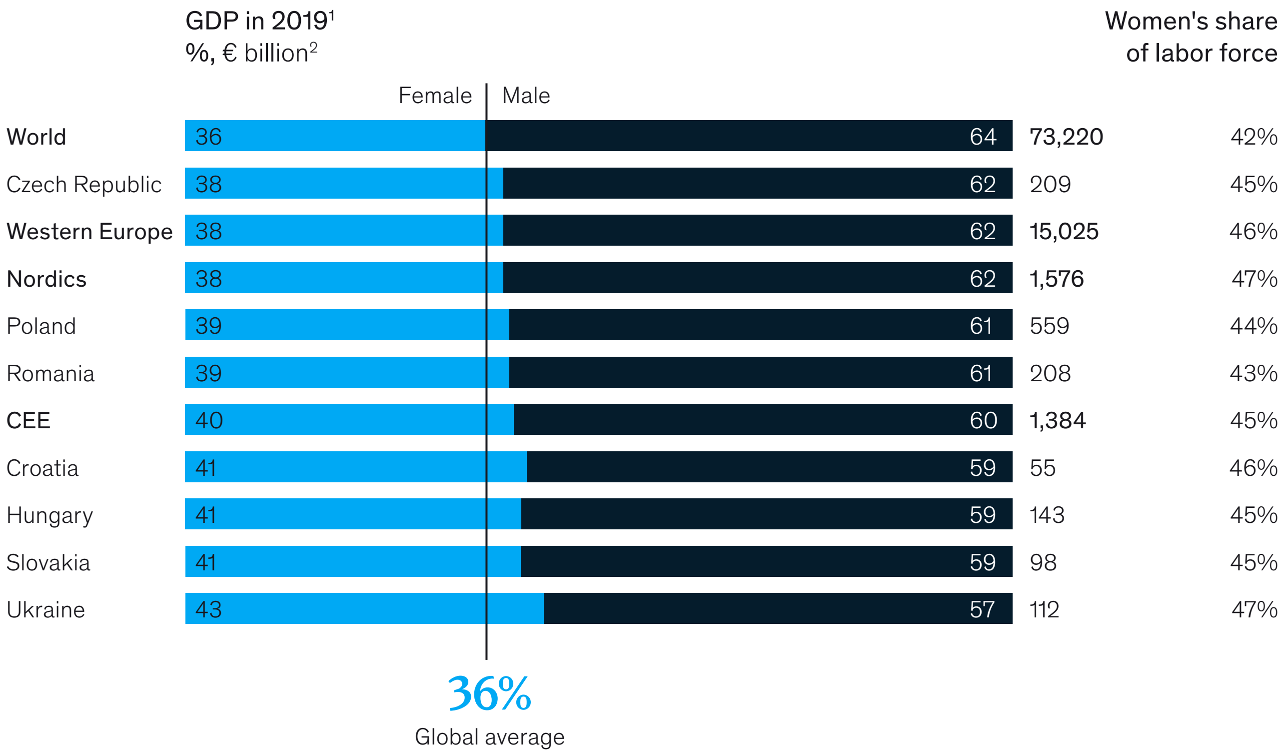
Impact on the economy

The McKinsey Global Institute *Power of Parity* publication series models the contribution of women to individual countries' GDP. It focuses on three main indicators: female population and labor participation, total hours worked (based on the employment rate and the average weekly hours of paid work by men and women), and average productivity (meaning the GDP contribution per worker) of the sectors in which men and women work.[33]

According to the MGI model, women currently contribute around 40 percent of GDP in the CEE region. This is higher than the global average of 36 percent (Exhibit 1) and the average for Western Europe (38 percent) and the Nordic countries (38 percent).

Exhibit 1

Women's contribution to GDP ranges from 38–43 percent across CEE, slightly above the global average of 36 percent.



[1]Contribution to GDP by gender for each country is based on the most recent population data, labor force participation rate, employment rate, hours worked and productivity per broad sector.
[2]All calculations are based on real GDP values at $ 2014 base for the years 2000–30, using the latest $–€ conversion rate (0.83).
Source: IHS; ILO; national statistical agencies; Oxford Economics; World Input/Output Database; McKinsey Global Institute analysis; McKinsey Global Growth Model

However, women also account for around 45 percent of the labor force in CEE—a higher percentage than their contribution to the region's GDP. At a country level, Ukraine has the highest female contribution to GDP (43 percent), while the Czech Republic has the lowest (38 percent), despite the fact that 45 percent of the Czech labor force is female. This disparity between the share of women in the labor force and their contribution to GDP is due to a number of factors, including the fact that women work fewer paid hours than men, their employment rates are different, and a disproportionately large proportion of women work in lower-productivity sectors—all areas that CEE countries would be well advised to address going forward.

To get a clearer picture of the potential impact of improving gender parity in CEE, we developed a specific methodology for use in this report. Our approach allows us to model the impact of improving gender parity in three key areas: labor participation, hours worked and the sector mix of employment for men and women (that is, the representation within each sector, and the average productivity of those sectors).[34] Using these parameters, we posit three potential scenarios: a business-as-usual scenario, a best-in-region scenario, and a full-parity scenario (Exhibit 2).

In the business-as-usual scenario, we assume until 2030 labor participation, hours worked and change in the sector mix of employment will follow consensus forecasts and historical trends in each country, with women's current contribution to GDP remaining roughly the same in 2030.

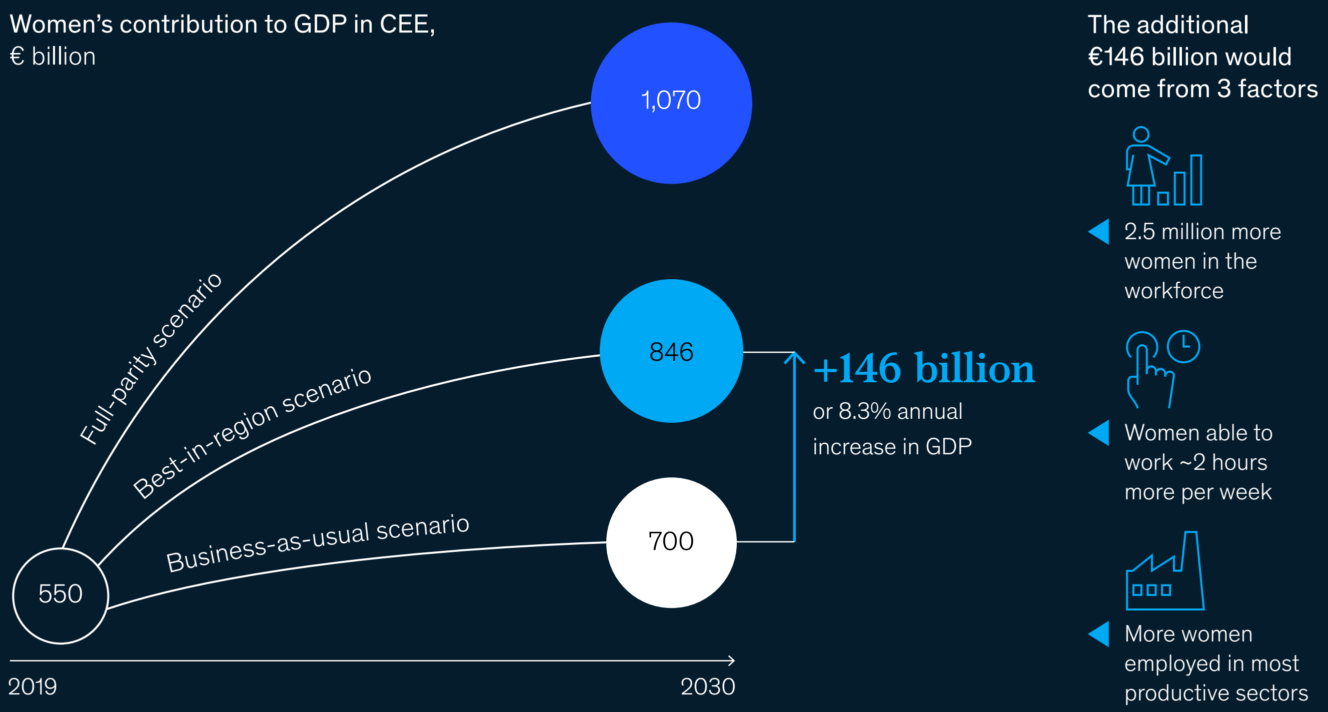
In the best-in-region scenario, we assume that in the period to 2030, labor participation, hours worked, and change in sector mix of employment will grow at the level of the country with the fastest historical growth rate for each of these three parameters.[35] In this scenario, the region's annual GDP would increase by €146 billion by the year 2030—an 8.3 percent improvement on the business-as-usual scenario. This represents an uplift roughly the size of the entire 2019 GDP of Slovakia and Croatia combined. The main driver of this potential improvement would be the increase in female labor participation, which would account for 39 percent of the impact on GDP, followed by 35 percent from the improved sector mix, so the shifting of women into work in higher-productivity sectors, and around 26 percent from the increase in the number of paid hours worked by women.[36]

€146bn

additional GDP could be achieved in the best-in-region scenario, yielding up to the level of 2019 GDP of Slovakia and Croatia combined

Exhibit 2

CEE could add €146 billion a year to GDP by 2030 by tapping into women's potential.



Source: IHS; ILO; national statistical agencies; Oxford Economics; World Input/Output Database; McKinsey Global Institute analysis; McKinsey Global Growth Model

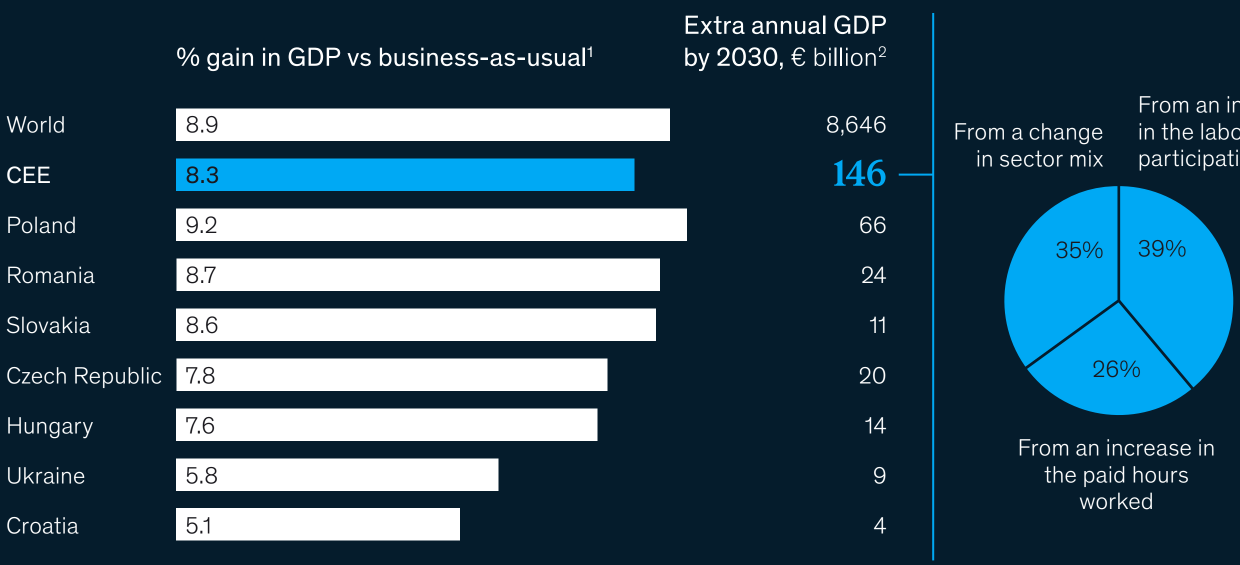
In the best-in-region scenario, female labor participation rises from 48 percent in 2030 (business-as-usual scenario) to 52 percent. This equates to approximately 2.5 million more women in the workforce. In addition, female working hours increase from around 38 hours per week to around 40 hours per week, the equivalent of around two additional paid work hours per week per woman. Female representation in higher-productivity industrial and service sectors (for example, utilities, manufacturing, financial services, real estate, or public administration) is also greater, and the employment rate of women is around one percent higher than in the business-as-usual scenario.[37]

At a country level, the economic impact varies across countries. Poland would see the biggest improvement in our best-in-region scenario, enjoying an additional €66 billion of GDP in 2030—a 9.2 percent improvement on the business-as-usual scenario. The next biggest beneficiaries would be Romania (an 8.7 percent additional GDP) and Slovakia (8.6 percent), with the Czech Republic (7.8 percent) and Hungary (7.6 percent) falling slightly below the regional average. The smallest improvement would be seen in Ukraine (6.4 percent) and Croatia (5.6 percent). In the case of Ukraine, this is likely due to the country's stronger starting point in terms of female labor participation and hours worked. Croatia, on the other hand, has the highest rate of historical growth in the region for female labor participation among 25- to 54-year-olds and better sector mix in any case, resulting in a smaller relative increase in GDP in our projections.

While an additional €146 billion in GDP in the best-in-region scenario might seem difficult to attain, it is in fact just

Exhibit 3

Best-in-region scenario could add €146 billion a year to GDP by 2030, an 8.3 percent improvement on the business-as-usual scenario.



Note: Numbers may not sum due to rounding.
[1]In the best-in-region scenario, the female-to-male rate for each factor (labor force participation, number of paid working hours, sector mix) is adjusted to the highest level found among CEE countries. A similar methodology is used in the MGI global Power of Parity report from 2015 and regional Power of Parity from 2015–20.
[2]All calculations are based on real GDP values at $ 2014 base for the years 2000–30, using the latest $–€ conversion rate (0.83).
Source: IHS; ILO; national statistical agencies; Oxford Economics; World Input/Output Database; McKinsey Global Institute analysis; McKinsey Global Growth Model

a fraction of what could be achieved in a full-parity scenario. According to our analysis, this scenario could result in an annual increase in GDP of €370 billion—a 21 percent improvement on GDP in 2030 on the business-as-usual scenario. The female contribution to the region's GDP could even potentially surpass that of men's, as women account for a larger share of the population. As we acknowledge, achieving full parity would be difficult to reach in CEE within the next decade, and so we take the best-in-region scenario as the target ambition level for the region.

Women could solve the labor shortage

It is important to note that all three of our scenarios focus exclusively on the "supply side" of the labor market, meaning the number of women available for paid work. Righting the gender balance in the workforce and contribution to GDP would additionally require the burden of household chores and unpaid care work to be shared more equitably between men and women, freeing women to engage in higher-paid professions. CEE countries would also be well-advised to implement policies on the "demand side," for example targeting job creation efforts to women specifically.

In the meantime, according to our research, activating women could be a solution to labor shortages across the CEE region. In the last quarter of 2019 around 630,000 positions were unfilled in Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Ukraine.[38] This compares to just 215,000 vacant posts nearly a decade earlier in 2010. Of these vacancies, about 62 percent were in the broader service sector, a further 35 percent were in industrial sectors (for example, manufacturing, construction, energy, and utilities) and 3 percent in agriculture. The subsectors accounting for the largest share of these vacancies were services (such as transportation and storage, accommodation and food service, real estate, and other service activities), manufacturing, wholesale and retail trade, public sector and education, and healthcare. Assuming the same rate of growth as in the years prior to the COVID-19 pandemic, the number of all unfilled jobs could reach around 2.3 million by 2030 in the region. Increasing female labor participation and women's share in higher-productivity sectors could therefore represent an important part of the solution.

Research by MGI into the future of women at work finds that a majority of the global job gains for women expected through 2030 are accounted for by three sub-sectors: healthcare and social assistance, manufacturing, and retail and wholesale trade.[39] Due to the aging population and growing need for care staff, vacancies in the healthcare sector are expected to increase fast. In 2019, women represented an overwhelming share (81 percent) of people employed in this sector in CEE. Women also accounted for over half (55 percent) of people employed in the wholesale and retail sectors, and more than one-third of those working in manufacturing—areas that are also expected to see a strong increase in new jobs. These three sub-sectors already accounted for a considerable share of the vacancies in CEE in 2019, and given that nearly half of the female workforce in CEE works in one of these three subsectors, women are clearly well positioned to fill a considerable share of these vacancies.

Exhibit 4

Services, the public sector, and manufacturing are the industries with the most women. The first two are dominated by women, the last one is 65 percent male.

Share of men and women in different industries, %[1]

		Male	Female	Share of the female workforce per industry, %[1]	Share of vacancies in 2019, %	Jobs potentially displaced by automation, %[2]
Industries dominated by women	Healthcare and social work	19	81	12	6	41
	Public sector & education[3]	36	64	20	8	36
	Financial & insurance services	39	61	3	1	40
Industries with equal representation	Wholesale & retail trade	45	55	16	10	61
	Services[4]	50	50	21	34	58
Industries dominated by men	Manufacturing	65	35	17	22	23
	Information & communication	68	32	2	3	12
	Agriculture	69	31	6	3	12
	Energy & utilities	76	24	1	2	27
	Mining and quarrying	85	15	1	0	N/A
	Construction	93	7	1	11	61

[1]Data includes Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia.
[2]Based on the findings of the McKinsey report "Digital Challengers in the next normal: Central and Eastern Europe on a path to digitally-led growth," October 2020, McKinsey.com.
[3]Includes public administration and defense, compulsory social security; activities of extraterritorial organizations and bodies; and education.
[4]Includes transportation and storage; accommodation and food service activities; real estate activities; professional, scientific, and technical activities, administrative and support service activities; arts, entertainment, and recreation; activities of domestic personnel and other service activities.
Source: Eurostat and Ukrstat statistics, 2019

However, McKinsey's "Digital Challengers in the next normal" publication shows that some of these sectors also score considerably high in terms of the share of jobs that could potentially be displaced by automation in the future, with around 60 percent of wholesale and retail jobs, and 40 percent of healthcare and social-work jobs expected to be affected by advancing technologies.[40] Therefore, in order to achieve the potential economic impact and to account for the technological changes altering the nature of work and the types of jobs in demand, both short and long-term solutions would be required.

In the short term, CEE countries would need to make investments for providing incentives and training, in order to increase the share of women in industries of moderately high productivity and high expected job gains, such as manufacturing, healthcare, and wholesale and retail.

In the long term, the education of girls and women should increasingly target sectors that are expected to be less affected by job displacement through automation, and which already account for a relatively lower share of the female workforce, such as information technology and telecommunications, financial services, utilities, and public administration. Governments would need to invest in education and vocational training, as technological advances are increasingly altering the nature of work and the types of jobs in demand. Therefore, incentivizing and supporting women to make the shift would not only create more gender-balanced workplaces and increase parity in economic output, but would also be key to preparing for future changes in the job market.

Impact on organizations

Besides the overall benefits to the economy, gender parity also brings added value to organizations. In the following section we review the ways these benefits translate into tangible advantages for companies and increase their likelihood of better financial overperformance.

Diversity and inclusion (D&I) practices, including gender-related initiatives, are becoming increasingly prevalent in today's business world. However, not all organizations have already mastered D&I. Common pitfalls can include an incomplete understanding of the underlying principles, an excessive focus on short-term outcomes, and overreliance on piecemeal commitments.

Clearly, it is essential that companies—at all levels of the organization — understand the positive impact of increased gender parity. Evidence suggests that good leaders will typically ensure that those benefits are clear to everyone within their organization as part of their change management programs. Below, we look at key aspects of that positive impact on business.

The business case for diversity
McKinsey research conducted over more than a decade proves that there is a business case for diversity globally and in many regions of the world. To substantiate this claim for Central and Eastern Europe, we built on data from a five-year study by McKinsey that looked at more than 1,200 large companies in 18 different countries with new CEE region information from 223 major companies in the Czech Republic, Hungary, and Poland.[41] We examined the correlation between gender diversity on companies' executive teams and financial performance. Our analysis revealed that the best-performing companies in terms of gender diversity among their executive teams (top quartile) have shown above-average profitability 26 percent more often than companies with the least gender diversity on their executive teams (bottom quartile) (Exhibit 5).[42]

We also found that the same top quartile is 12 percent more likely to experience above-average profitability when compared to all companies in our sample (second, third, and fourth quartiles). Moreover, there is an even bigger disadvantage for the companies are at the bottom: companies that lag the most on gender diversity on their executive teams (fourth quartile) were 19 percent

Exhibit 5

CEE businesses could benefit from higher gender parity in leadership positions.

Share of companies with above-average profitability grouped by gender diversity of executive team[1], 2019[2]
%

In our sample of more than 1,200 companies, firms with a more gender-diverse leadership team were more often showing above-average financial performance.

Companies at the bottom (no women on executive team) are 19% less often outperforming the market financially.

[1]Compared to national industry median; p-value <0.1 for 2019.

[2]n = 1,262; original dataset comprised Australia, Brazil, Denmark, France, Germany, India, Japan, Mexico, Nigeria, Norway, Singapore, Sweden, South Africa, the United States, and the United Kingdom; additional dataset comprises Czech Republic, Hungary, and Poland; EBIT margin 2014–18.

Source: Diversity Matters dataset; company annual reports; company websites

less likely to outperform financially than all the others (first, second, and third quartiles). These findings also held true when we assessed gender diversity on supervisory boards. We acknowledge, however, that diversity on boards on it's own is not enough. The corporate culture should also be inclusive so that diverse individuals can stay and thrive.

Impact on organization health and culture

Additionally, increasing the number of women in leadership positions has potential benefits that go beyond improved financial performance. In our 2018 report "Women and the Future of Work," we discuss how women's leadership styles tend to align with the agile workplace of the future.[43] This leads us to identify four key tasks for future leaders.[44] They are:

— **to foster cooperation and collaboration**, acting as an "integrator" within organizational networks. This is in line with the notion of "breaking silos" and creating more cross-functional teams

— **to empower employees to make important decisions and to be accountable for them**—this is pivotal to flattening steep organizational structures, increasing ownership among employees, and creating more autonomous teams

— **to be more transparent about key strategic shifts and their purpose** so that the organization shares a common goal and vision—this can increase engagement and instill a sense of belonging among employees

— **to build ecosystems based on business partnerships** rather than focusing solely on internal capabilities and services—this helps create compelling end-to-end solutions for customers and enables companies to capture a larger share of a given market

These findings are supported by real-world data from the McKinsey Organizational Health Index survey (OHI), an analysis of more than 215,000 respondents from 56 companies around the globe measuring overall organizational health.[45] The OHI shows that companies with a higher proportion of women in leadership positions employ management practices that are better aligned with the future needs of organizations (Exhibit 6). Those practices include **a more employee-centric approach to communication, engaging and supporting colleagues** (open and trusting environments, rank difference: 29; supportive leadership practices, rank difference: 29; consultative leadership, rank difference: 21; and personal ownership, rank difference: 18), **creating a clear purpose and compelling vision of the future** (shared vision practice, rank difference: 21), and **building strong business partnerships** (business partnerships practice, rank difference: 33).

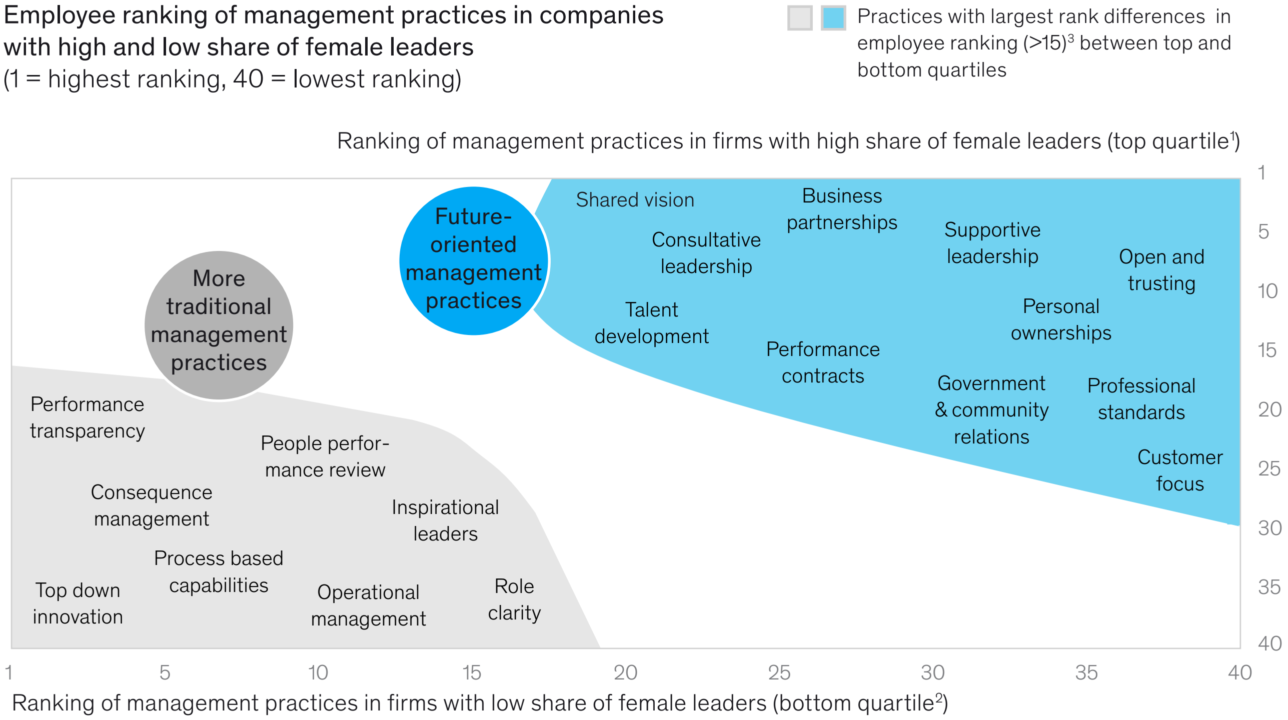
Companies with the lowest level of female representation, by contrast, more often rely on innovating from the top (top-down innovation, rank difference: 29), building a performance-driven culture (performance transparency, rank difference: 20; consequence management, rank difference: 20), and standardizing knowledge and processes (process-based capabilities, rank difference: 24).

The evidence is clear that increased gender parity at the executive level is correlated with better financial performance. Naturally, that is not to say that women's leadership style and values are better than those of men. Rather, the true potential of diversity and gender parity lies in giving those differing styles and values an equal voice in the running of the company. Bringing additional and more diverse perspectives into decision making results in a stronger, more resilient and flexible organization that is fit for the future.

Exhibit 6

Greater gender parity also helps align leadership styles to the changing demands of the workplace.

Employee ranking of management practices in companies with high and low share of female leaders
(1 = highest ranking, 40 = lowest ranking)



[1]Top quartile: companies in the top quartile in proportion of women in leadership positions.
[2]Bottom quartile: companies in the bottom quartile in proportion of women in leadership positions.
[3]Each of the 37 managerial practices (that impact a company's financial and operating performance) is ranked according to its level of importance in the company. The highlighted practices are the ones showing the largest ranking difference between the two groups (more than 15 ranking grades between top and bottom quartile companies, in absolute values of rank difference).
Source: McKinsey, Organization Health Index database

2 Gender parity in Central and Eastern Europe

Following its emergence from the Soviet Bloc in early 90s, CEE faced the task of catching up with the West economically. CEE countries are still generally viewed as being at a disadvantage as compared to the West given their past of planned economies. However, this same history does not appear to apply to the question of gender parity. In our interviews, business leaders in CEE often mentioned that countries in the region are in fact more equal than others today due to CEE's history of women at work.

In this chapter, we present a series of macroeconomic analyses to determine whether the notion that CEE countries are more advanced in terms of gender parity is true or not. We also present findings from our own study of more than 360 companies in CEE, as part of which we examined those companies' top management teams to determine the level of female representation. We start by assessing the state of gender parity in CEE compared with other regions in Europe and the rest of the world, before turning to the question of female representation at different levels of the corporate hierarchy.

Gender Parity Score

In Chapter 1 we looked at the size of the gender gap in economic terms. However, this is just the tip of the iceberg. To give a fuller picture, we used a Gender Parity Score (GPS), a metric first used in a global study of ten regions and 95 countries carried out by the McKinsey Global Institute, to further assess the gap.[46] The GPS measures how far a country has traveled along the road to gender parity, with a GPS of 1.00 representing full gender parity. Viewed through this lens, our analyses show that CEE has not improved as fast as the rest of Europe, and that key discrepancies lie in societal factors.

A country's GPS is based on 15 indicators across four dimensions. The first dimension is gender equality at work, which is driven by the choices that women (and men) make about their lives and work. The other three dimensions relate to gender equality in society: essential services and enablers of economic opportunity, legal protection and political voice, and physical security and autonomy. These three factors are necessary for people of all genders to have access to the resources needed to live a life of their own making. Previous McKinsey *Power of Parity* reports on different countries and regions have established a clear link between gender equality at work and in society: almost no countries exist that have high gender equality in society but low gender equality at work, and vice versa.[47]

In the coming pages we focus on the seven CEE countries—Poland, the Czech Republic, Slovakia, Hungary, Romania, Croatia, and Ukraine.[48] In 2019, the overall GPS of the CEE region was 0.73, indicating medium-level gender equality (Exhibit 7). This is well above the world average of 0.61, and puts CEE in fourth place globally, just below the Nordic countries (0.84), North America and Oceania (0.76) and Western Europe (0.76). This means that CEE can realistically aspire to close the gap and become an example for others to follow. However, between 2015 and 2019, CEE's score improved just by 0.02 percentage points, which is slower progress than in other parts of Europe (0.03), although slightly faster than the global improvement (0.01).

All the countries of CEE have some way to go before they achieve full gender parity, but some are doing better than others. Poland stands out from its peers with an overall score of 0.77, followed by Slovakia (0.74), Ukraine and Romania (both 0.72), and Hungary, Croatia, and the Czech Republic (all at 0.70). In terms of equality in the workplace, Poland, Ukraine, and Hungary are in the lead. In terms of equality in society, Poland, Slovakia, and Romania are ahead.

Gender equality at work

Looking more closely at the situation in the workplace, we find that CEE as a whole scores 1.0 for the indicators "formal employment" and "female-to-male ratio in professional and technical jobs." This implies full equality, both across the region and in individual countries (Exhibit 7).[49] By contrast, "leadership positions" and "unpaid work" show low levels of equality. Yet, although the region's rate of 0.61 for leadership positions is low, it is still higher than in Northern Europe (0.54) and Western Europe (0.46).[50] Additionally, women in CEE spend more time doing unpaid care work (looking after children and the elderly) than women in the Nordic countries, but the amount is similar to that of women in Western European countries. A smaller share of women in leadership positions is usually regarded as a key symptom of gender inequality, while women doing the larger share of housework and unpaid care work is seen as one of the causes of that inequality. In the following section, we examine women's career progression in more detail; in Chapter 3 we look at unpaid work and other barriers to equality.

Gender equality in society

Where CEE clearly trails its northern and western neighbors is on gender equality in society. The region's overall score of 0.75 here is below both the scores of Northern Europe (0.89) and Western Europe (0.82), with the most substantial gap in the dimension of "legal protection and political voice." This dimension is based on two specific indicators, of which "political representation" is the source of the problem: of the 15 indicators included in the GPS, political representation is the only one where CEE shows "extremely low equality." The average share of

Exhibit 7

CEE trails European countries on gender equality in society, while keeping up with the rest of Europe on gender equality at work.

Level of gender equality

- High 0.95–1
- Medium: 0.90–0.94; 0.85–0.89; 0.80–0.84; 0.75–0.79
- Low 0.50–0.74
- Extremely low 0–0.49

	Female population, million	**Overall gender equality**	Gender equality at work[1]: **Overall gender equality at work**	Labor-force-participation rate	Formal employ-ment	Professio-nal and technical jobs	Unpaid care work	Leader-ship positions	Gender equality in society: **Overall gender equality in society**	Essential services and ena-blers of economic opportu-nity[2]	Legal protection and political voice[3]	Physical security and autonomy[4]
Croatia	2.1	**0.70**	**0.64**	0.79	1.00	1.00	0.50	0.41	**0.74**	0.86	0.47	0.98
Czech Republic	5.3	**0.70**	**0.61**	0.77	1.00	0.95	0.50	0.33	**0.76**	0.91	0.49	0.98
Hungary	5.1	**0.70**	**0.72**	0.74	1.00	1.00	0.54	0.65	**0.70**	0.87	0.36	0.96
Poland	19.6	**0.77**	**0.73**	0.75	1.00	1.00	0.55	0.70	**0.79**	0.92	0.55	0.99
Romania	10.1	**0.72**	**0.63**	0.70	1.00	1.00	0.47	0.43	**0.78**	0.94	0.51	0.95
Slovakia	2.8	**0.74**	**0.66**	0.77	1.00	1.00	0.50	0.49	**0.78**	0.93	0.53	0.96
Ukraine	24.1	**0.72**	**0.72**	0.81	1.00	1.00	0.50	0.70	**0.72**	0.93	0.38	0.93
CEE	69.0	**0.73**	**0.70**	0.76	1.00	1.00	0.53	0.61	**0.75**	0.92	0.46	0.96
Western Europe	201.0	**0.76**	**0.67**	0.82	0.99	0.95	0.54	0.46	**0.82**	0.90	0.65	0.97
Nordics	13.0	**0.84**	**0.76**	0.91	1.00	1.00	0.73	0.54	**0.89**	0.92	0.82	0.97

Note: The Gender Parity Score (GPS) measures distance from parity. Color coding is illustrative and based on actual, not rounded, values. All GPS calculations are conducted using a sum-of-squares method with equal weighting across indicators for the year 2019. Numbers are rounded to two decimal places.
[1]Comprising labour-force participation, professional and technical jobs, perceived wage gap for similar work, leadership positions, and unpaid care work
[2]Comprising unmet need for family planning, maternal mortality, education, financial inclusion, and digital inclusion.
[3]Comprising political representation and a legal protection index (including, for example, legislation protecting against domestic violence, providing equal inheritance rights and paternity or parental leave, and mandating non-discrimination in hiring).
[4]Comprising sex ratio at birth, child marriage, and violence against women.
Source: McKinsey Global Institute

women in national governments in CEE is just 21 percent, half the level of Western Europe (41 percent) and Northern Europe (46 percent)[51]. The numbers for national parliaments are similar. Women's lack of representation in the political scene sends a negative signal to the business world.

Leadership positions

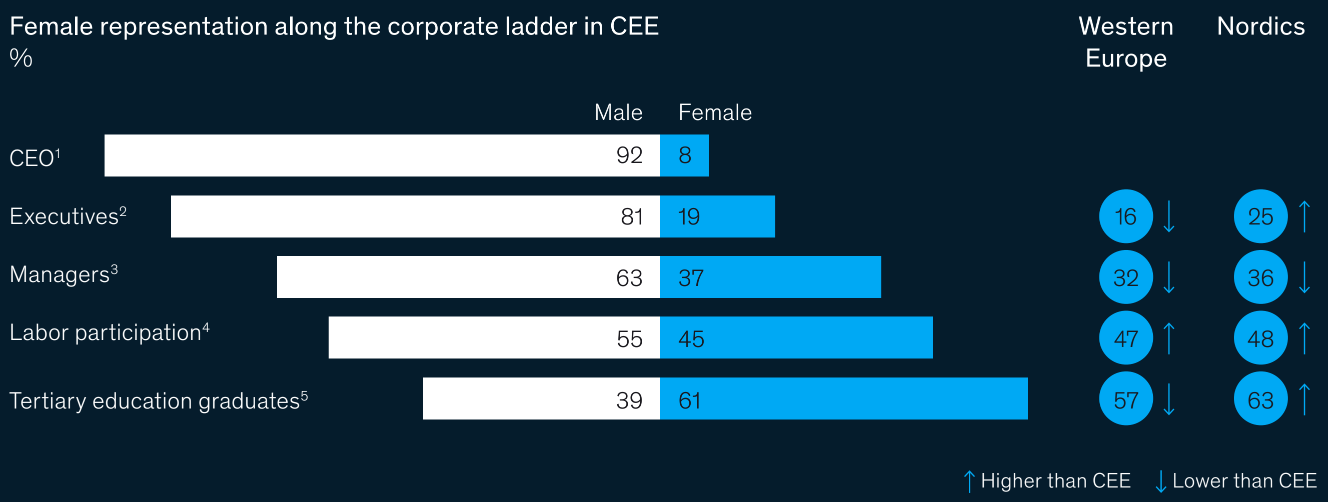
To better understand some of the inequalities shown in the previous section, we analyzed the presence of women in the corporate pipeline in CEE. We found that while women represent a larger share (61 percent) of students and higher-education graduates, their representation in the labor force is less than that of men (45 percent), and becomes more pronounced at the managerial level, where women are largely underrepresented (37 percent). Women in CEE hold only around 20 percent of executive roles, and eight percent of CEO positions. In the following sections of this report, we look deeper into the details of gender representation in the CEE corporate pipeline leveraging our CEE-specific proprietary research.

Education is widely considered a stepping-stone for a successful career and an engine for gender equality.[52] In the CEE region, women make up around 61 percent of university or equivalent graduates (Exhibit 8). Yet, this does not translate to an advantage in later career stages. In other words, the reason for the overrepresentation of men in top management positions is not that they are better educated.

The most popular areas of study for women in higher education fall into the broad category of "business, administration, and law," with 25 percent of female students choosing subjects in these areas. This is higher than other regions—the 23 percent of female students in Western Europe and 16 percent in Nordic countries choose these subject areas.[53] Some 17 percent of female students in CEE study education, while 15 percent study STEM subjects (natural sciences, mathematics, and statistics; information and communication technology; engineering,

Exhibit 8

Women are underrepresented in leadership positions, despite a high share of labor force and graduates.



[1]Share of top CEE companies with female CEOs in CEE; McKinsey research, data not available from public sources for other countries.
[2]Share of women in executive positions at top CEE companies; Eurostat for Western Europe and Nordics, and McKinsey research for CEE countries, 2020.
[3]Share of women in managerial positions in CEE; UNDP Ukraine and OECD, excludes Croatia and Romania, 2019.
[4]Share of women among all employed persons; Eurostat and Ukrstat, 2019.
[5]Holders of a Bachelor's or equivalent level degree; Eurostat and Ukrstat, 2018.
Source: Company annual reports 2018–20; Eurostat; OECD; company websites; Ukrstat; UNDP Ukraine

manufacturing, and construction). This is broadly similar to the situation in other European countries. STEM subjects are an area where the female-to-male ratio is typically lower, although in CEE the gap is not as significant as is often thought: in 2018, 41 percent of all STEM graduates in the region were women.[54] This is higher than in other European regions, where around one-third of STEM graduates are women.[55] Of the various CEE countries, the largest share of female STEM graduates are found in Romania (43 percent) and Poland (42 percent), and the lowest are found in Hungary (31 percent) and Croatia (32 percent).[56]

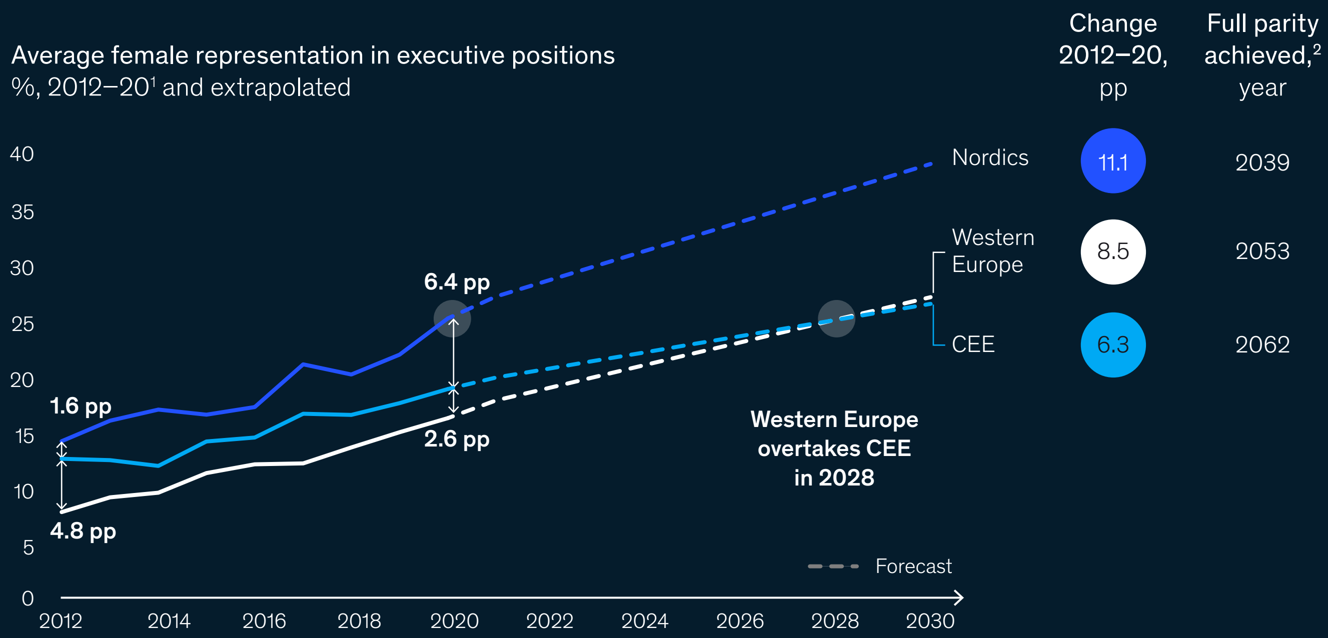
Women make up 45 percent of CEE's labor force of the region—67 million out of a total of 129 million working people.[57] This is slightly lower than in Western European countries (almost 47 percent) and the Nordic countries (48 percent). In 1995, CEE was ahead of Western European countries in this respect, with women making up 45 percent of the labor force, compared to 42 percent in Western Europe; in the Nordics the share of women in the labor force was at 47 percent.[58]

Looking at the progression of women up the hierarchy, it is not until they reach managerial positions that women begin to be underrepresented: 63 percent of managers in CEE are men and just 37 percent women.[59] Little has changed here over the past decade: in 2010, the split was 66/34.[60] However, the ratio of female to male managers in CEE is still higher than in Western Europe (32 percent female managers) and the Nordic countries (36 percent). While in Western Europe the female share of managers was at 33 percent in 2010, the Nordics reached the current 36 percent starting from a lower position (31 percent).[61] The two countries in CEE with the highest numbers are Poland (43 percent) and Ukraine (41 percent). The lowest share of female managers is in the Czech Republic (27 percent).[62]

This disproportion is most pronounced in executive (leadership) positions, where 81 percent are held by men and just 19 percent by women in CEE (Exhibit 8). Again, this is higher than

Exhibit 9

CEE started on a strong position, but the modest progress in female executive representation will likely take away the advantage.



[1]Data includes Croatia, Czech Republic, Hungary, Poland, Romania, and Slovakia.
[2]Assuming continuous growth of average annual growth rate in 2012-20.
Source: Company annual reports; Diversity Matters dataset; Eurostat; company websites

in Western Europe (16 percent female executives), but far less than in the Nordic countries, where more than one-quarter of executives are women.[63] Clearly, CEE has work to do here.

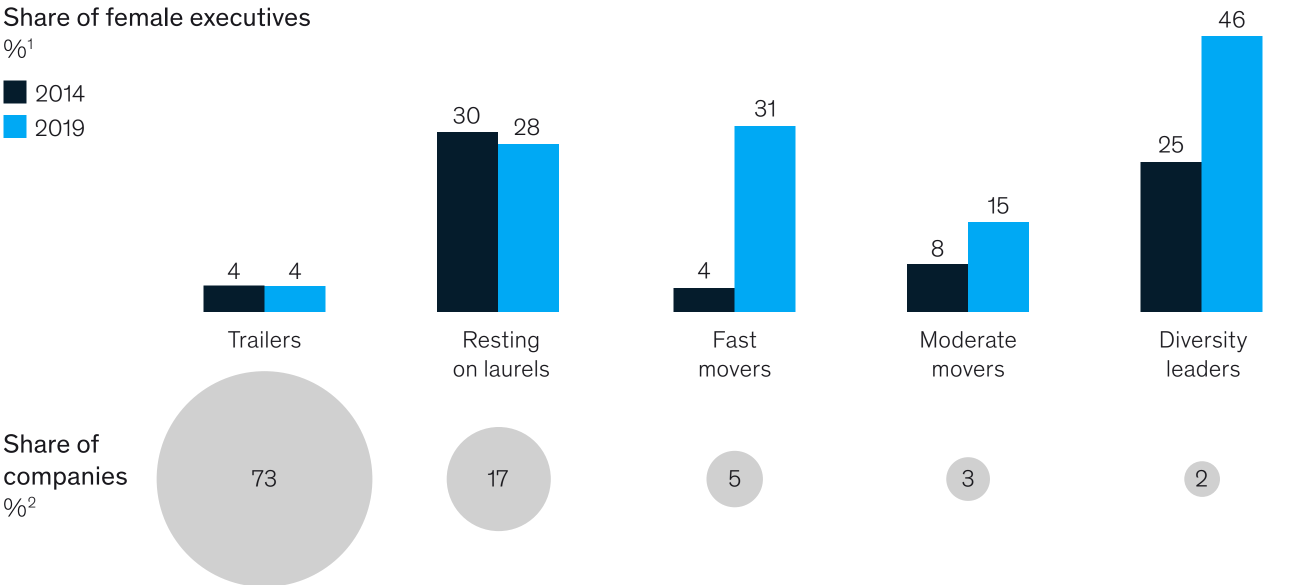
It is worth noting that in the past, CEE was on par with the Nordics and much ahead of Western countries in terms of the representation of female executives. However, it is about to lose this advantage by failing to improve as fast as other areas (Exhibit 9).[64] Thus, in 2012, the share of female executives in CEE was 13 percent, just one percentage point lower than the Nordic countries and five percentage points higher than in Western Europe. Fast forward to 2020, and the gap between CEE and the Nordic countries had increased sixfold, while Western European countries had caught up significantly, bringing the gap between them and CEE down to just three percentage points.[65] If CEE does not pick up speed soon, it will likely be overtaken by Western Europe in 2028.[66] Furthermore, it will not achieve full parity in terms of female representation at the executive level until the year 2062—almost a decade after Western Europe and more than two decades after the Nordic countries.[67]

Looking at individual countries, we find that Romania and Ukraine are well ahead of their CEE peers in terms of female representation in their executive teams, Romania having 33 percent female executives and Ukraine 31 percent.[68] At the other end of the spectrum, the Czech Republic and Croatia both have just 13 percent or so. Poland's performance, at around 15 percent, could also be improved—something of a surprise given that it has the highest share of female middle managers of any CEE country.

Taking the data set from our financial analysis and focusing on companies' share of female executives in 2014 and how this changed in the five years to 2019 gives us some further interesting insights. We identify five broad categories of firms in CEE (Exhibit 10).

Exhibit 10

The gap between diversity leaders and trailers is widening.



[1]n = 223; Czech Republic, Hungary and Poland
[2]Companies were categorized based on their share of female executives in 2014 and how it changed in the five years to 2019. Diversity Leaders started high and showed strong improvement, Fast Movers started low and showed strong improvement, Resting on Laurels started high but showed no improvement, Moderate Movers also started low yet showed a moderate level of improvement, and Trailers started low and did not show improvement.
Source: Company annual reports; Diversity Matters dataset; company websites

They are:

— **Trailers.** These companies (73 percent) started with low representation and showed no improvement or they showed a decline over the five years, on average stagnating at 4 percent over the period.

— **Resting on laurels.** These firms (17 percent) started with a high level of representation but showed no improvement or even experienced a decline over the five years, on average falling from 30 percent in 2014 to 28 percent in 2019.

— **Fast movers.** These companies (5 percent) started with a low level of representation and showed strong improvement in the five years to 2019—a sevenfold increase in women on their executive teams.

— **Moderate movers.** These firms (3 percent) started with a low level of representation and showed moderate improvement over the five years, from an average of 8 percent in 2014 to 15 percent in 2019—nearly doubling the number of female executives.

— **Diversity leaders.** These companies (2 percent of CEE companies in the sample) started with a high level of representation in 2014 and showed strong improvement through 2019, moving on average from 25 percent to 46 percent.

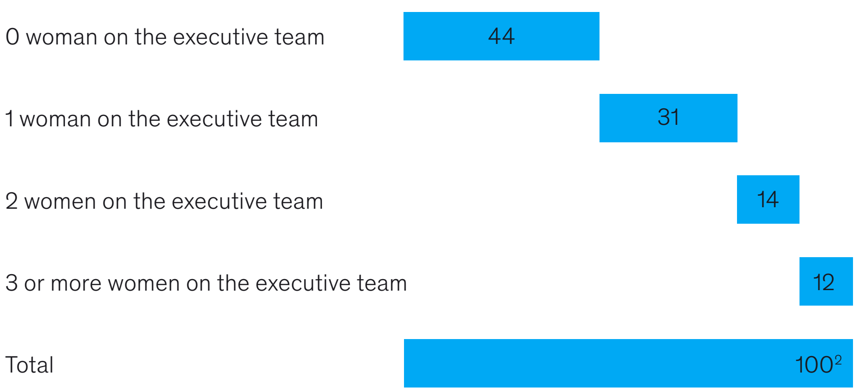
The above overrepresentation of trailers and companies resting on their laurels is yet another evidence that companies in CEE are making slow progress on the gender gap at the executive level.

Our analysis of more than 350 companies in CEE—the top 50 or so firms in each of the seven countries—further found that 44 percent of companies have no women on their executive teams at all (Exhibit 11). Foreign are no better than locally-owned firms in this respect. In fact, the opposite is true: just 44 percent of international companies have more than one woman on their executive boards, compared to 53 percent of local firms.[69]

Exhibit 11

Nearly half of top CEE companies do not have any women on their executive teams.

Share of largest companies[1] according to the number of women in executive positions, %



Average size and composition of executive teams (count of people)

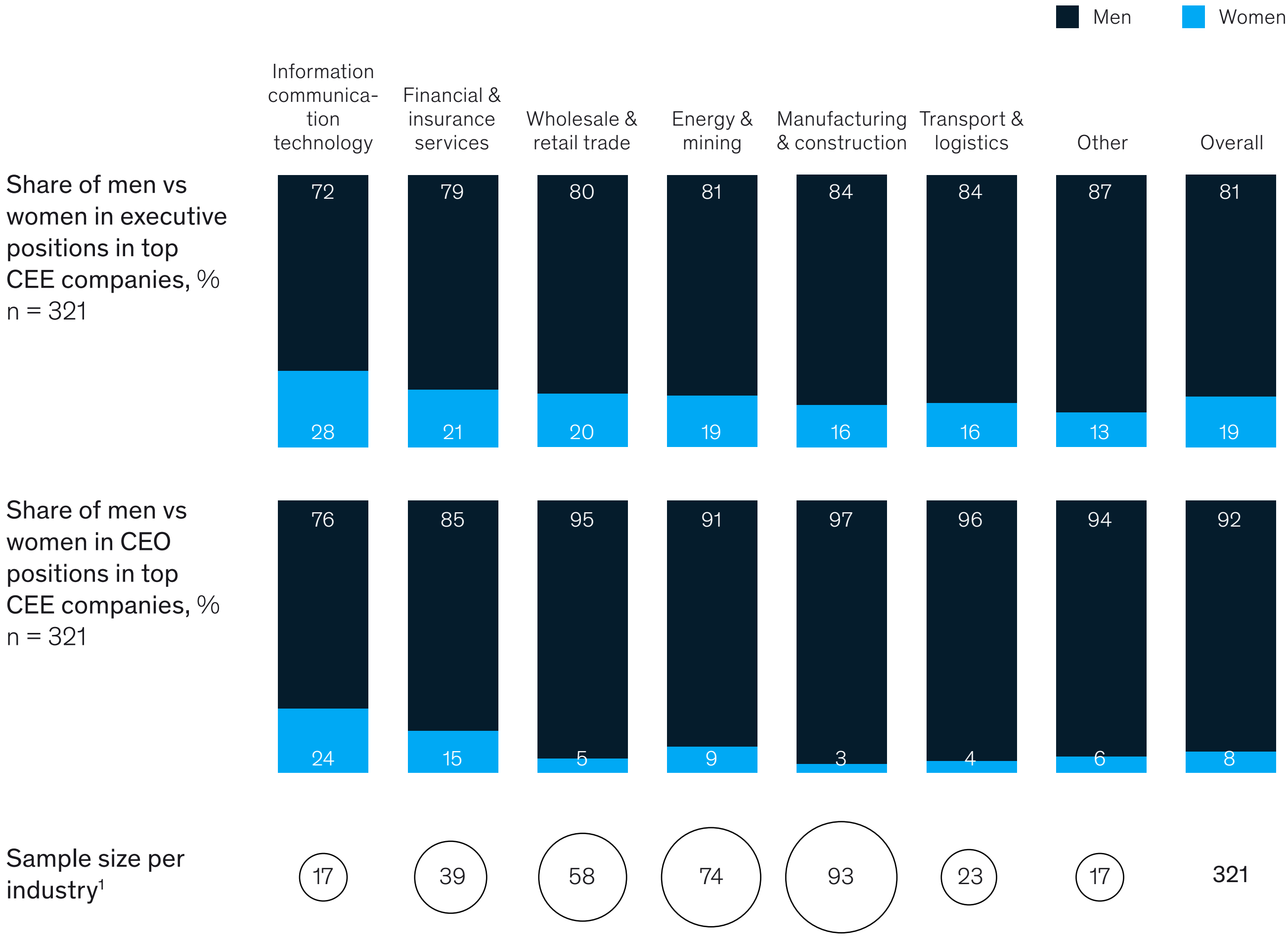
[1]Ranking of the top CEE companies was based on total operating revenue for the year of 2019 for each country, with a minimum of 50 companies per country included in the sample. For Romania data was found on 47 companies.
[2]The total data set includes a total of 367 companies from Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, and Ukraine. The analysis includes 321 companies after the exclusion of outliers. The companies in the sample have an average of 5 people in their executive teams, out of which 4 are men, on average.
Source: Annual reports and company websites

Still, looking at the top companies in CEE[70], we find that around one-third have just one woman on their boards, and 26 percent have two or more.[71] On average, companies' boards are made up of four men and one woman. This in itself poses a challenge, as it may be harder for women to make themselves heard when they are in such a small minority[72].

Our research also found that only three industries out of a total of seven that we looked at have more than 20 percent female executives: information communications and technology, financial and insurance services, and wholesale and retail trade (Exhibit 12).[73] Information communications and technology leads the way, with 28 percent female executives and 24 percent female CEOs.[74] Finance and retail both have around 20 percent female executives, but when it comes to the top job, finance is well ahead with 15 percent female CEOs compared to just 5 percent in retail.[75] These two industries have a higher share of women in their overall workforce: in financial institutions 61 percent of all employees are female and in retail 55 percent.[76] By contrast, information communications and technology has just 32 percent women in its overall workforce, so the strong representation of women at the executive and CEO level in this industry is likely to be the result of efforts made by the companies themselves.

Exhibit 12

Over 20 percent of executives in ICT, financial services, and retail are women; ICT and financial services have the most female CEOs.



[1]Top CEE companies based on total operating revenue for 2019 per country. Minimum of 50 companies per country included in sample, except for Romania (47 companies). Total dataset includes 367 companies in CEE. Analysis includes 321 companies after the exclusion of outliers.
Source: Company websites and annual reports 2018-20

Looking at the different functions in which female executives work, we find that human resources accounts for the biggest group, at 23 percent (Exhibit 13). A similar proportion of women occupy the chief finance officer (20 percent) and chief executive officer positions (17 percent).[77] Commercial, marketing, operations and legal are all about the same level, ranging from seven to 11 percent.[78] The least common function where female executives are found is technology, accounting for just one percent of all female executives.[79]

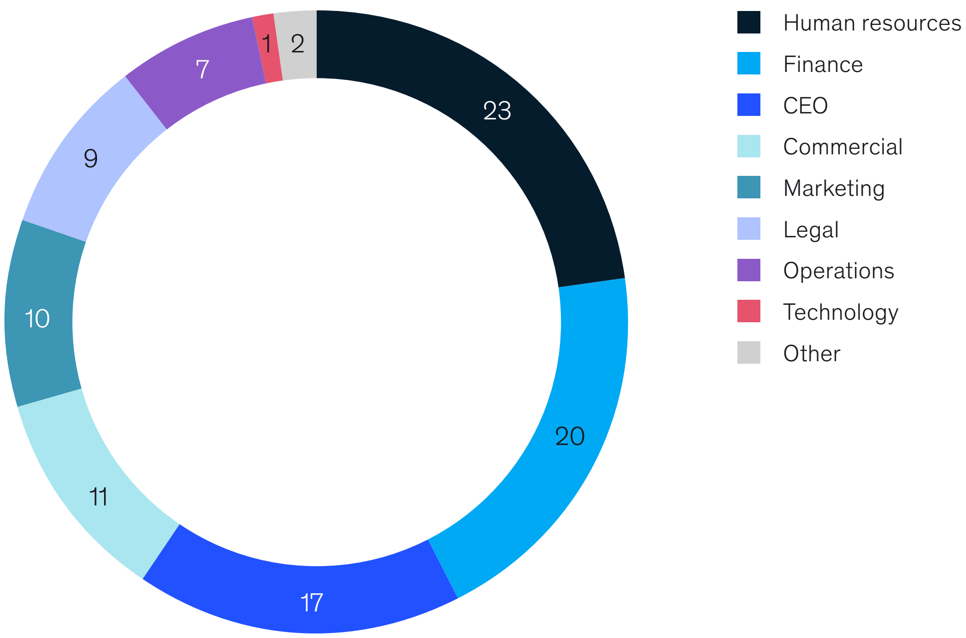
Our analyses showed that while CEE has a considerable pool of female talent and a comparable share of female managers to that of Western Europe and the Nordics, women are still largely underrepresented in key leadership positions, such as at the executive level. Most importantly, while some improvements have been made in increasing the share of women in these positions in CEE, the progress has been much slower than in the other regions. Following such rate of change, CEE may face the threat of falling behind the rest of Europe in the equal representation of women along the corporate pipeline.

In the next chapters we investigate the reasons why the progress toward gender parity has been modest in CEE.

Exhibit 13

Women in executive positions at CEE companies represent a range of functions.

Share of function of female executives of largest CEE companies[1]
%



[1]Top CEE companies based on total operating revenue for 2019 per country. Minimum of 50 companies per country included in sample, except for Romania (47 companies). Total dataset includes 367 companies in CEE. Analysis includes 321 companies after the exclusion of outliers.
Source: Company websites and annual reports 2018-20

Reasons for modest progress in Central and Eastern Europe

As we saw in Chapters 1 and 2, the economic and business case for gender parity is robust. The CEE region was doing relatively well up until a decade ago. Why, then, has progress toward greater parity been slow since then? In this chapter we explore the facts behind the figures, drawing on our own research in CEE carried out for the purposes of this report. Our findings suggest that mindsets and behaviors that manifest in social norms and established gender roles could be having a big influence on progress.

The findings presented on the following pages are based on a survey of more than 3,000 people (an equal share of women and men) working at companies with more than 500 employees in the Czech Republic, Hungary, and Poland.[80] The majority of respondents in this broader employee survey were in lower ranks or working at entry level in their companies.[81] To uncover more insights, we also carried out 30 interviews with executives from seven CEE countries analyzed.

Individual mindsets and behaviors

According to our broader survey, men and women are equally ambitious when it comes to moving up the corporate ladder, but women are less confident that they can actually make it to the top of the company (Exhibit 14). Thus, men and women showed almost the same level of interest in being promoted (57 percent of women versus 56 percent of men), but differed more strongly in terms of desire to become a top executive (30 percent of women versus 36 percent of men). This is likely due, at least in part, to the fact that they perceive more barriers to promotion than men (66 percent of women who want to become top executive consider it unlikely versus 62 percent of men).

When asked why they were less confident about reaching top leadership positions, women most often said that they lacked the necessary skills for the job (43 percent), did not have the right leadership style (38 percent) or that top executive promotions were not based on merit (33 percent). Interestingly, when we asked men why they—men—might not make it to the top, the same proportion as for women said that they did not have the right leadership style. But a far smaller proportion said that they lacked the necessary skills for the job (eight percentage points less than for women) and a much larger share said that promotions were not based on merit (ten percentage points more than for women).

The problem of women not recognizing their qualifications was also raised in the interviews with CEE executives:

“I first refused a B-1 position as I thought I did not have the skills for it. My boss asked me to help with selecting the best candidate, though, and when I saw the profiles of the people who did apply (mostly men), I went back to my boss and asked for the position myself. If those are the best candidates, I can handle the position better. People in my career believed in me more than I did myself on some occasions.”
– CFO, banking sector

The female survey respondents mentioned a number of other factors that may contribute to slowing their progress to the top, such as unconscious bias and work-life balance. Around 28 percent of female respondents said their gender made it harder for them to secure a raise or a promotion, while only 9 percent of men said the same. Some 27 percent of women said that there were problems with work-life balance, compared to just 20 percent of men (see next: *Childcare and unpaid work*). Furthermore, around 54 percent of women said that 24/7 availability is among the top criteria for being successful in the company they work for, but only 10 percent said they can offer this level of commitment, compared to 15 percent of men.

Childcare and unpaid work

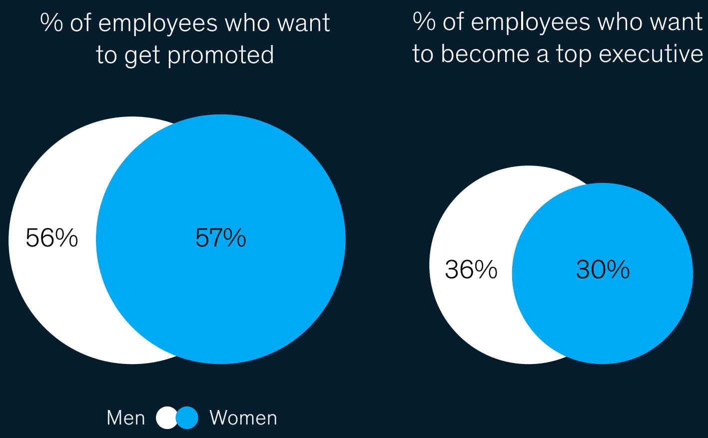
Gender equality in the workplace is tightly connected to gender equality in society.[82] When considering the barriers to women’s career advancement, we should not forget social factors. As we mentioned earlier, more than one-quarter of women in our broader employee survey said that the reason they are unlikely to become a top executive was the lack of work-life balance.

Women do significantly more household chores and unpaid care work.[83] In our survey, 57 percent of women said that they did all or most of the work at home. They gave a variety of reasons for this, such as that they were better at it (32 percent), their job flexibility made it easier for them to do it (23 percent), their male partner’s

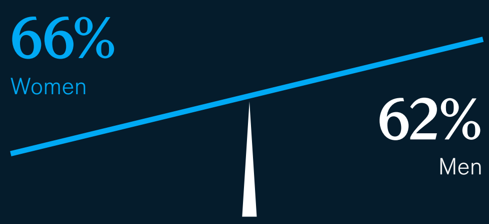
Exhibit 14

Women are as ambitious as men, but they perceive more barriers to promotion.

Share of women and men who want to reach top positions
%, n = 3,082



Share of those who want to become a top executive yet consider it unlikely
%, n = 1,110



Source: McKinsey CEE Diversity Survey, 2021

job was more demanding (18 percent) or that their male partner thought that it was the woman's job to do it (16 percent).

How does this compare to other regions? On average, women in CEE do almost 5 hours of unpaid work daily, which is more than 2.5 times more than the daily unpaid work men do.[84] In Western Europe and the Nordics, the total number is similar (4.4 and 4 hours), but the difference between men and women is smaller—women in the Nordic countries do 1.8 times more than men and in Western countries women do 1.9 times more unpaid work than men do.[85] A 2018 survey by Eurostat found that almost 70 percent of women in CEE perform household chores daily (cooking and cleaning, for example), compared to just 22 percent of men.[86] Nearly 40 percent of women provide daily unpaid care work (for example, looking after children, the elderly, and people with disabilities)—twice as many as men.

To understand what lies behind these regional differences, we need to look at the number of women in part-time jobs. Flexible work arrangements have long been normal in Western and Northern Europe, while they are still largely unpopular for both men and women in CEE. Thus, just 9 percent of women work part-time in CEE, compared to almost one-third of the female workforce in Western Europe and more than one-fifth in the Nordic countries.[87] This is hardly surprising given the low wage levels in CEE: the average monthly salary in CEE is €1,021, some 64 percent lower than in the rest of

Europe.[88] This fact, coupled with social pressure on women to take care of the home, significantly increases the total workload on them. As we stated earlier in this report, they effectively need to work "double shifts."

Work-life balance can be even harder to achieve for working mothers. When we asked top female executives from the CEE companies about the challenges they faced in managing different parts of their lives, many of them pointed to responsibilities linked to motherhood and attached societal expectations as challenging to reconcile with professional duties:

"Motherhood played a significant role in my life and I had to make some compromises. Achieving a work-life balance was challenging—finish early and you have to work long hours at the weekend. Luckily, my husband did a large share of chores at home, but that also made me feel very guilty. My male colleagues didn't have such issues."
– HR executive, energy sector

"The biggest challenges came from society, such as being judged for letting my partner take our child to the doctor, or for not staying home with our child."
– CEO, financial services

"When I had small kids and I had a demanding job as a general manager, it was very difficult to juggle everything. Any way that companies can help or support women in this position is very important."
– CFO, heavy industry

A study in Poland found that 94 percent of mothers who are not working would like to rejoin the workforce.[89] However, 70 percent of them say that they are afraid that after returning to work, they will not be able to balance their work and childcare.[90] Key solutions mentioned were flexible working hours (67 percent) and remote work (48 percent).[91] Only one-quarter of respondents mentioned part-time work.[92]

Options for reducing the burden for mothers include sharing tasks more evenly with fathers and making use of childcare services. However, as we discuss in the following paragraphs, these options are not always available.

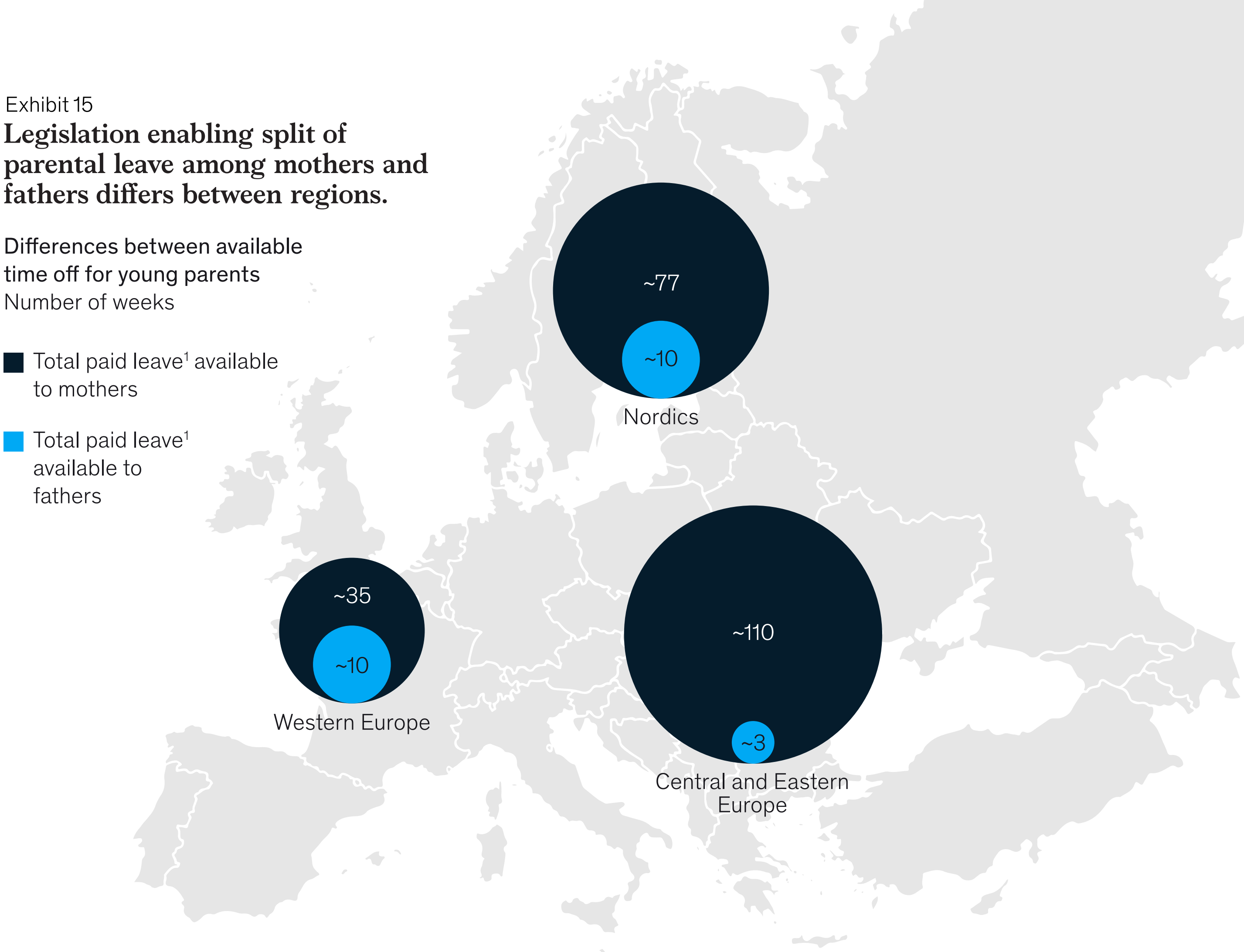
CEE countries on average allow mothers 110 weeks off work after childbirth, compared to 77 weeks in the Nordic countries and 35 in Western Europe (Exhibit 15).[93] Three of the seven CEE countries also have statutory leave for fathers, but this is just three weeks on average, compared to ten weeks elsewhere in Europe.[94] Providing more paid leave for fathers, in line with the trend seen in many countries around the world, could potentially reduce the burden on working women in CEE and lead to childcare responsibilities being distributed more evenly between men and women.[95]

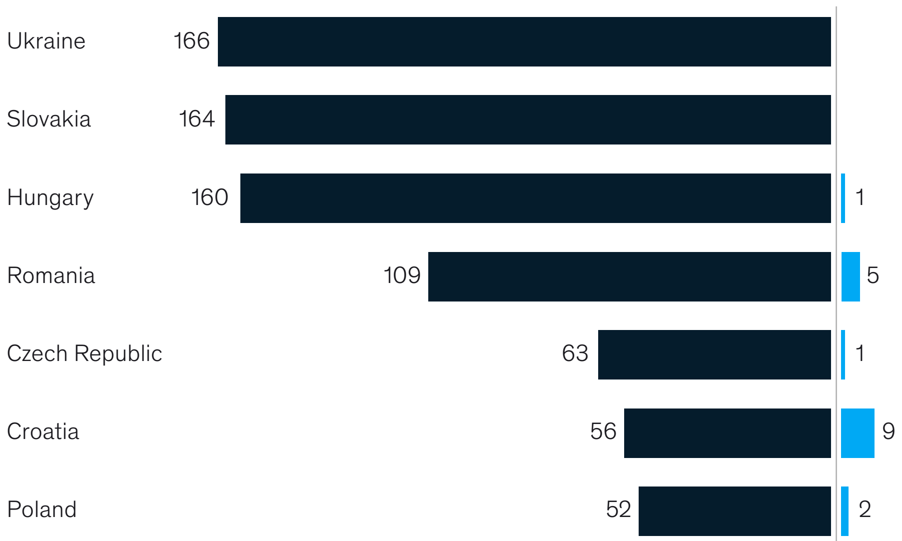
Furthermore, average public spending on childcare in CEE is just 0.57 percent of GDP, somewhat lower than in Western Europe (0.64 percent) and almost three times lower than in the Nordic countries (1.42 percent).[96] Within CEE, public spending on childcare ranges from no more than 0.44 percent of GDP in the Czech Republic to 0.73 percent in Hungary. The share of net household income spent on childcare also varies significantly within CEE,

Exhibit 15

Legislation enabling split of parental leave among mothers and fathers differs between regions.

Differences between available time off for young parents
Number of weeks





The total paid[1] time off available to mothers consists of a period of paid maternity leave and paid parental and home care leave. The length of these is typically longer in the CEE region than in most other countries.

The total number of weeks available for fathers in CEE is considerably low when compared to the rest of Europe. Most CEE countries only offer paid paternity leave, or paid parental and home care leave for fathers.

[1]The actual payment rate available during paid time off differs per country
Source: OECD statistics, 2018, Liga 360 Ukraine

from six percent in Poland and Hungary to nearly 20 percent in Slovakia. On average, families in CEE allocate around 12 percent of their net household income to childcare, compared to 10.5 percent in Western Europe and 6.4 percent in the Nordic countries.[97]

Impact of the COVID-19 pandemic

While both men and women have faced new challenges during the COVID-19 pandemic, the burden on women has been even greater due to the fact that their responsibilities at work and at home were already extensive. The 2020 McKinsey report *Women in the workplace*[98] found that COVID-19 has had a worrying impact on women in the United States, where mothers have been three times more likely to be responsible for most of the household chores during the pandemic. Apart from facing emotional and physical exhaustion, more women have considered reducing their working hours than men (17 percent of women versus 9 percent of men), switching to a less demanding job (16 percent versus 11 percent) or taking a leave of absence (15 percent versus 9 percent).

Our broad survey of 3,000 employees confirm these findings for CEE. The time spent on household chores and unpaid care work has increased in CEE even more than in the United States, up 15 percent for women and 13 percent for men. In addition, 41 percent of female respondents overall indicated that they considered scaling back on work, which could include reducing their working hours, shifting to a part-time role, switching to a less demanding job or leaving the workforce all together. For female respondents with children under the age of ten, the figure was as high as 54 percent. Interestingly, we found the opposite effect for men: 25 percent of male respondents with children under ten said they considered scaling back, compared with 34 percent of men overall.[99] It would appear that fathers with young children in CEE have not felt pressured to cut down on their

Almost 1 in 10 women say that their family responsibilities have prevented them from dedicating sufficient time to their jobs during the COVID-19 pandemic.

paid work so much, implying that their female partners have shouldered the burden of scaling back for them.

Working from home was uncommon in CEE prior to the COVID-19 pandemic. In 2019, just three percent of employed women worked from home, compared to 7 percent in Western European and Nordic countries.[100] However, according to a Europe-wide survey by Eurofound, nearly one-third of both male and female employees in CEE started working from home during the pandemic.[101] The same survey also shows how COVID-19 has affected women's work-life balance in the region. Thus, the share of respondents who find it difficult to concentrate on their job because of family responsibilities is much higher for women than for men: ten percent of female respondents indicate that they always (or most of the time) have to deal with this issue, compared to just 3 percent of men.[102] Moreover, more than 9 percent of women say that their family responsibilities have prevented them from dedicating sufficient time to their jobs during the COVID-19 pandemic, compared to just 2 percent of men.[103]

An analysis of Eurostat employment data for 2020 in six of the seven CEE countries reveals how COVID-19 has affected both female and male employment.[104] The unemployment rate was 4 percent on average for both women and men in 2019, rising to 5.3 percent for women and 4.9 percent for men in 2020, which shows that the increase was slightly higher for women (an approximately 32 percent increase for women versus 26 percent for men).[105]

Finally, we should note that the pandemic has not only put women in an even more difficult situation than before. In addition to the financial, mental, and physical burden, it has also exacerbated the inequalities that they face. This may have a negative impact on women's future participation in the workforce, and thereby contribute to reducing countries' total economic output in the coming years.

4

Accelerating women's empowerment in Central and Eastern Europe

Earlier in this study we looked at the significant value that greater gender equality can potentially deliver for CEE—for economy, business and society. Female empowerment could serve as a major growth engine for the region, replacing former advantages such as cheap labor and strong traditional industries. We also saw how, despite having solid foundations in gender parity relative to other European countries in 2012, the region has since stagnated on this issue. We examined the factors holding CEE back, including mindsets, behaviors, social norms and, more recently, the impact of the COVID-19 crisis. CEE can now draw on the lessons it has learnt during the pandemic to strengthen its advantage in terms of female representation vis a vis the rest of Europe.

What can the countries of CEE do to achieve a turnaround on female parity? Gender equality is an immensely complex topic, involving many interwoven factors. For instance, social attitudes influence the workplace, but at the same time workplace attitudes influence society. There is a limit to what standalone actions can achieve. Rather, CEE could apply an integrated approach that addresses the different dimensions of increasing gender parity and involve different actors in society, especially policymakers and business leaders. With this in mind, we recommend that countries in the region consider taking action in each of the four following areas (Exhibit 16):

I. Shared vision

Governments and companies could apply a structured approach to correcting the gender imbalance. Ideally, this should include formulating an aspiration, drawing up a clear agenda of goals and actions which address the gaps identified, measuring and regularly communicating progress both internally and externally. To this end they can leverage existing indicators, such as the Global Gender Gap Index of the World Economic Forum[106] or the EU's Gender Equality Index.[107] We would also encourage policymakers and business leaders to engage in public debate regarding their proposed strategies, actions and plans in order to increase the sense of urgency. And we believe that it is vital that the promotion of gender equality is not driven solely by women; men, too, must take an active role in achieving the change. One of the guiding principles of the *Champions of Change* program, for example, is that of "men stepping up beside women." [108]

In the business world, diversity and other social aspects are becoming an integral part of investment decisions. In the United States, for instance, one-quarter of S&P 100 firms released their data on the makeup of their workforce for the first time in 2021 following pressure from investors.[109] In the European Union, too, investors and civil society in general are demanding more information, driving companies to disclose data that goes beyond mere financial figures. The Non-financial Reporting Directive (NFRD), implemented in 2014, requires listed companies with more than 500 employees report on their social responsibility practices, including diversity.[110] And in 2019 the EU Commission revealed plans to revise the NFRD in response to claims that the non-financial information provided by companies was deficient in terms of comparability, reliability and relevance.[111]

Given the wide range of topics involved, broad coalitions between the public and private sectors can be particularly beneficial. For example, the *Chefsache* initiative, sponsored by German Chancellor Angela Merkel, is a network of leaders from businesses (including McKinsey & Company), academia, society and the media that advocates equal opportunities for men and women in top management positions.[112]

II. Career support schemes

Special support schemes could help to bring more women into the labor force and realize the goal of generating an additional €146 billion in annual GDP by 2030. Companies could consider setting up special sponsorship and mentorship initiatives aimed at supporting career development for all types of talent that is currently underrepresented, including women. Businesses could also invest in professional capability-building, such as management training programs. In addition, special skills training courses and recruiting programs for women can help correct the gender imbalance in specific industries.

To make these changes sustainable, it would be advisable for companies and policymakers to monitor which industries are growing the fastest and which will be the most affected by automation. They can then use this as a basis for deciding where best to invest in vocational training schemes. As discussed in Chapter 1, the sectors currently forecasted to increase the most in terms of number of jobs include manufacturing, retail and healthcare.[113] In retail and healthcare, women already make up a majority of the workforce: some 55 percent in retail and as much as 81 percent in healthcare. However, they account for just 35 percent of the workforce in manufacturing.[114] With women representing almost 40 percent of all college graduates in the fields of engineering, manufacturing and construction, improving the level of representation in these industries appears to be a realistic goal.

Exhibit 16

Potential actions to achieve change.

Policymakers · Businesses · Both

Impact on companies and the economy in general

- A Brings more women into the workforce
- B Enables women to work more paid hours
- C Helps women move into more productive sectors
- D Increases the number of female leaders

Impact areas	Who acts	Key actions	A	B	C	D
I Shared vision	Both	1. Engage in public debate to create shared aspirations and an agenda for gender equality	A	B	C	D
	Both	2. Design a diversity ecosystem with goals and data-driven actions that address any gaps that exist and challenges that are identified	A	B	C	D
	Policymakers	3. Form broad coalitions with corporations and others to share experiences and foster a collective effort towards parity	A	B	C	D
	Both	4. Measure any progress on closing the gender gap and regularly communicate successes to ensure transparency	A	B	C	D
II Career support schemes	Businesses	5. Set up sponsorship schemes for underrepresented talent, including women			C	D
	Businesses	6. Foster targeted capability-building (e.g. management training programs)	A	B	C	D
	Both	7. Run skills training courses and recruiting programs for women in growth industries where they are underrepresented			C	D
	Policymakers	8. Ensure young people are aware of the implications of their career choices	A	B	C	D
III Work-life balance	Both	9. Offer flexible working options (e.g. part-time work, flexible hours, remote work) and ensure equality in terms of career progression	A		C	D
	Policymakers	10. Support flexible working through regulation and make it more financially viable by means of tax benefits	A		C	D
	Policymakers	11. Improve the availability of affordable, high-quality childcare services (e.g. nurseries, kindergartens)	A	B		D
	Businesses	12. Strengthen return-to-work programs to help people maintain their networks, skills and knowledge during parental leave	A	B		D
	Both	13. Offer paid paternity leave or make it longer, creating incentives for men to take paternity leave and assume an equal share of care work	A	B		D
IV Social norms & attitudes	Both	14. Ensure the leaders of companies, public institutions and government visibly commit to achieving diversity	A	B	C	D
	Both	15. Establish and support role models, both male and female, at the highest levels, sharing stories of women and men who challenge social norms (e.g. working mothers, stay-at-home fathers)	A	B		D
	Both	16. Use training to raise awareness about unconscious bias and discriminatory behavior, and manage any bias existing in core processes (e.g. recruitment)	A			D
	Both	17. Conduct regular surveys of attitudes and behaviors to understand changing gender perceptions in society and business	A			D
	Both	18. Create discussion forums for men as a place to challenge gender stereotypes and where men can talk about their own experience of negative social attitudes related to gender	A			D
	Both	19. Eliminate discriminatory behavior by implementing high behavioral standards and corresponding disciplinary processes	A	B	C	D

All three areas will be strongly impacted by automation, affecting both male and female employees,[115] however companies and policymakers in CEE could also focus on other areas also requiring attention, for example, information and communication technology (ICT), an industry with low automation potential and strong demand for talent. Women are currently highly underrepresented in this field: although they account for more than 40 percent of college graduates in STEM subjects (science, technology, engineering and math), in ICT women only make up around 24 percent of all graduates. Potential actions by schools, universities and professional bodies could include redoubling efforts to recruit more women and girls into the academic and vocational ICT pipeline by showcasing role models and engaging girls in ICT activities inside and outside school. At the same time, businesses could focus on attracting and retaining female talent by designing special programs for women and ensuring that work environments are truly inclusive.

It is also important that educational institutions, from elementary school upwards, make both girls and boys aware of their career options. Starting at high school, young people should be made aware of the implications—including financial considerations—of choosing specific sectors or work arrangements, such as the potential impact on their economic independence and career opportunities.

III. Work-life balance

Progress on gender parity in CEE depends critically on women and men having equality of opportunity and the ability to balance the different parts of their lives, such as home and work, children and career. CEE has a low Gender Parity Score for unpaid care work, as societal attitudes continue to hold women back. Shifting those attitudes is a complex long-term undertaking, but could unlock progress on many aspects of gender inequality.

In 2019 the European Union's Work–life Balance Directive came into force. Its aim is to redistribute unpaid work between men and women, and also to reduce conflicts between individuals' domestic and professional lives for both genders.[116] Key actions outlined in the Directive include improving the availability of flexible work options and introducing paternity leave.[117] Flexible work, which includes part-time and remote work, is one of the tools at policymakers' and companies' disposal. In Western and Northern European countries, for example, flexible work arrangements have long been the norm. In CEE they remain unpopular with both women and men, with seven percent of women working part-time and just three percent of men, for example. This could be part of the reason behind women's lower participation rate in the workforce in CEE: women essentially have the choice of either working full-time or staying at home.

Promoting part-time work could, then, bring more women into the workforce. It is potentially another option for parents, an alternative to the current long parental leave periods available in some CEE countries that remove parents—often women—from the labor market for protracted lengths of time, significantly slowing their career progression. However, pushing part-time work can be a double-edged sword: in some Western European countries, such as the Netherlands, it has put mothers under social pressure to work part-time, potentially worsening their position in the job market and ultimately compromising their financial independence.[118]

Remote work is another option for working flexibly. This became the norm in many industries during the COVID-19 crisis, although to a lesser extent in CEE than in other regions. Thus, according to a survey by Eurofound, around 30 percent of people in CEE started working from home during the pandemic, compared to 43 percent in Western European and almost half the workforce in the Nordic countries. One of the reasons for the less frequent use of remote work in CEE could be that CEE companies had little experience of this type of work in the past and so had a more difficult time adapting to the new situation. This may be particularly true of the public sector.[119] Of course, COVID-19 has now made people see this option as more normal and acceptable, a fact that may change the future of work. Analysis by MGI discovered that around 20 to 25 percent of the workforce in advanced economies could potentially work from home three to five days a week after the pandemic.[120] Maintaining remote and hybrid work options even after the pandemic could benefit both men and women in managing their work-life balance better going forward, especially those who work in services that are delivered digitally, such as software, design, and sales and marketing.[121]

Rebalancing unpaid work between men and women can also be achieved by giving men the same chances as women to play an active role in child-rearing. A recent survey by McKinsey in cooperation with McGill University examined fathers who had taken paternity leave. It found that they were unanimously glad to have done so, with most saying it had helped them form stronger bonds with their partners and children.[122] The respondents pointed out that having a work culture that encouraged taking paternity leave, plus support from their employer in the form of relevant workplace policies and the knowledge that taking leave would not affect their promotion timeline, had helped them decide to take paternity leave.[123]

Rebalancing unpaid work between men and women is not the only area that requires urgent attention in Central and Eastern Europe. Our research shows that improving the availability of affordable, high-quality childcare services is a priority for many countries in the region. CEE countries on average spend 2.5 times less on childcare services than the Nordic countries (just 0.57 percent of GDP, compared to 1.42 percent in the Nordic countries and 0.64 percent in Western Europe).[124] Within CEE, the picture differs strongly from country to country. However, overall we believe that governments and businesses could take actions that would help to ensure that returning to work after parental leave is financially advantageous, even on a part-time basis. Potential tools here include financial support for childcare, tax benefits, and subsidies for childcare providers. If childcare services are easily available and high quality, parents may choose this option rather than taking advantage of the long parental leave available in some CEE countries. This would allow women to rejoin the workforce in a way that

There is a limit to what standalone actions can achieve. Rather, CEE could apply an integrated approach that addresses the different dimensions of increasing gender parity and involve different actors in society, especially policymakers and business leaders.

suits their needs, helping them achieve a balance between their career and personal goals.

Companies can also strengthen their return-to-work programs, helping employees maintain their skills, knowledge and networks during periods of parental leave. Ideally, these programs should address the needs of employees at different stages of the process. Prior to the employee taking parental leave, the program should help them explore their options and make appropriate decisions. During the leave period, it should ensure that the company remains in contact with the employee by letting them keep their work telephone number, email and laptop, providing them with access to training sessions, keeping them on mailing lists and inviting them to company events. And towards the end of the leave period, the program should provide coaching, career planning meetings and flexible work options to allow employees to gradually rejoin the workforce at their own speed.

IV. Social norms and attitudes
Shifting the cultural factors underlying gender inequality is a complex undertaking. Our research shows that ensuring the leaders of companies and public institutions are visibly engaged in efforts to reduce the gender imbalance, rather than delegating this work to "diversity officers," can make a real difference. Establishing and supporting role models, both male and female, at the highest levels is also vital. And sharing stories of men and women who challenge social stereotypes—for example, working mothers and stay-at-home fathers—can also potentially help drive change.

Business leaders and policymakers have a role to play by driving awareness of gender equality issues. Regular surveys of attitudes and behaviors can help identify changing gender perceptions in society and companies, and can pinpoint the key areas for focused efforts. Discussion forums for men can also be useful, challenging gender stereotypes and allowing men to talk about their own experiences of negative social attitudes related to gender.

Another tool for transforming social norms and attitudes is training on the topic of unconscious bias. This can unearth the negative stereotypes that both men and women fall prey to in their everyday decisions. Furthermore, rather than expecting women to adapt to an often male-dominated culture and environment, companies could take steps to meet the specific needs of women. For example, they can educate managers about the challenges faced by women and other underrepresented groups. Eliminating discriminatory behavior by implementing high behavioral standards and related disciplinary processes is also a potential area of focus. We discuss in more detail how businesses can drive diversity further below (see *Current approaches to diversity in companies*).

Current approaches to diversity in companies

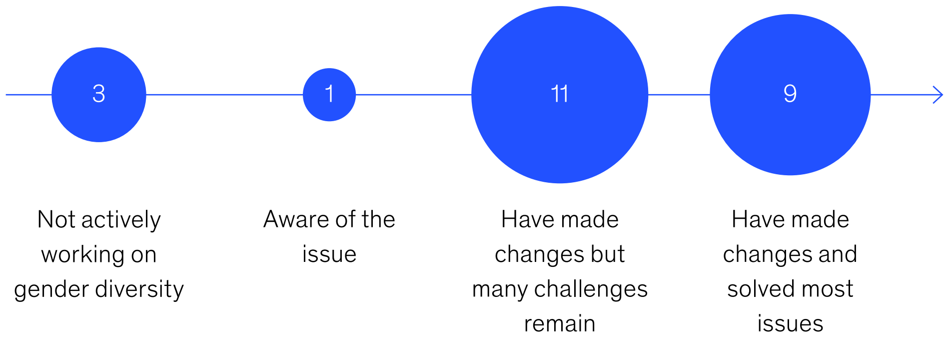
Many companies in CEE have made efforts to improve diversity and inclusion internally. However, it is not clear to what extent these efforts have been effective. To find out more, we interviewed 30 top executives, both men and women, from nine different industries across the seven CEE countries in focus. Of course, this is a relatively small group of respondents and our survey makes no claims to be fully representative. However, we believe that the findings represent a good starting-point for understanding the current situation in companies in CEE from the point of view of business managers. It should also be noted that the executives that we spoke to represent some of the largest players in the region. The situation for employees in small and medium-sized enterprises—who make up the majority of the workforce—may be substantially different.

Almost 90 percent of the executives we interviewed said that they had taken steps to close the gender gap, and over half of those claimed that their efforts had resolved most of the

Exhibit 17

Executives in CEE believe their companies are doing well on gender diversity.

Where companies think they are in terms of the gender diversity journey[1]



63%

of survey respondents think the topic of gender diversity is not important for senior leadership

Out of the 30 companies interviewed…

20
include gender diversity in their strategy

13
have a specific person or team responsible for gender diversity

12
have formulated targets and aspirations for diversity and inclusion

21
measure gender diversity quantitatively (e.g. female representation, gender pay gap)

13
measure gender diversity qualitatively (e.g. qualitative surveys, focus groups)

[1] Share of 24 companies answering this question
Source: Executive interviews with CEE business leaders, April/May 2021; McKinsey CEE Diversity Survey, 2021

issues associated with gender parity (Exhibit 17). However, it should be remembered that the executives who agreed to talk to us were likely those who were already active in tackling gender issues.

Just three of our 30 interviewees said that their company was not actively dealing with these issues. Nearly all the companies we contacted mention diversity in their strategy, either in the form of policies or targets, and more than half have a specialist or team dedicated to the topic. By contrast, in our broader employee survey, only 26 percent of the 3,000 respondents said that their company was committed to gender diversity. This implies that the topic may be addressed at the top of companies but has not filtered down to the rest of the company in many cases.

We also asked the 30 top executives how they defined “diversity“ in their companies. Many of them said that they did not focus solely on gender, but rather saw diversity as a broader topic covering dimensions such as age, nationality, sexual orientation and even personality type.

Interestingly, executives in all seven CEE countries believed that the fact that their country had a history of women at work made the gender gap less of an issue. However, several also pointed out that this may have led to a sense of complacency.

Companies measure their performance with regard to gender parity, and any progress they may make in this area, in a variety of ways. We came across both quantitative and qualitative methods, the former being far more popular among the companies we interviewed in CEE. The majority of top executives said that they record the proportion of women in different positions and across different areas of the company. Some companies perform a pay gap analysis instead, which according to a few interviewees reveals significant differences in the compensation of men and women in the same positions and with the same level of experience. For example, an executive working in the healthcare sector commented as follows:

“These days, we have such easy access to data that there really is no excuse for not measuring such important things as pay gap. In some cases, I found women who were earning 50 percent less than their peers. This is unacceptable”.

When asked why the pay gap exists, some executives stated that it was women themselves who negotiate less pay for themselves. However, a different view emerges from the responses to our broader survey of 3,000 employees. Here, some 27 percent of women said that they had asked for a raise in the last two years—just two percentage points less than the figure for men. What is more, 20 percent of women said that they had pushed for a promotion, compared to 23 percent of men. One possible conclusion, albeit tentative, is that women negotiate almost as much as men but they do so less effectively, or end up settling for less. Companies therefore, would be well-advised to take a more transparent approach regarding compensation and proactively maintaining equal pay, instead of benefiting from women demanding for less.

Qualitative methods for measuring performance on gender parity are less popular among companies. Just over half of the firms we spoke to use such methods, which include surveys asking about key challenges and the needs of women and men, focus groups, and “exit interviews” (interviews with employees leaving the company). While these approaches do not provide hard facts, they can potentially shed light on the deeper reasons for the lack of gender parity—factors that are not revealed by purely statistical analyses. For instance, the CEO of a company in the food sector commented as follows:

“Only when we did a survey, did we find out that the key reason for women not taking leadership roles was work-life balance.”

Lastly, we asked the 30 executives to examine a list of ten practices that support gender diversity, indicate which of them were available to their employees, and state which of the practices they considered the most effective or important (Exhibit 18). We also showed the same list to the female respondents in our broader employee survey, and asked them which practices they thought could help them the most. Of the ten practices, “flexible work options“ (for example, part-time work, flexible working hours and remote work) were both the most popular practice and also the practice considered most important by both executives and female employees. However, the views of executives and employees start to diverge when we look at the second and third most highly-ranked practices: executives chose “fair evaluation and promotions“ and “formal mentorship and sponsorship programs,“ while employees in the broader survey considered “support for childcare“ (for example, on-site nurseries, vouchers) and “extra maternity or paternity benefits” more important. It may

Exhibit 18

Flexible work options are the most popular practice among firms for supporting diversity, and considered the most effective.

●● Top-three most effective practices according to executives and female employees

Practice	Share of firms interviewed employing this practice,[1] %	Number of times practice mentioned as one of the top-3 most effective[1]	Share of women describing practice as effective[2]
Flexible work options (e.g. part-time work, flexible hours, remote work)	95	(1) 16	(1) 79%
Formal training programs to increase awareness about unconscious bias	82	5	61%
Formal mentorship or sponsorship programs	82	(3) 8	65%
Actions to ensure fair evaluation and promotion (e.g. checks for bias, standardized metrics)	68	(2) 10	75%
Back-to-work programs for women re-entering the workforce	65	4	72%
Formal women's networks or tailored events for women	57	4	62%
Training and coaching for women	50	7	66%
Actions to de-bias recruitment (e.g. gender quotas, gender targets, genderless resumés)	48	5	71%
Childcare support (e.g. on-site nurseries, vouchers)	48	3	(2) 77%
Extra maternity/paternity benefits (e.g. extended-leave benefits)	45	3	(3) 76%

[1]Figures relate to executive interviews (total respondents: 23)
[2]Figures relate to broad employee survey; share of women who find the practice "somewhat effective", "effective" or "very effective"
Source: Executive interviews with CEE busines leaders, April/May 2021; McKinsey CEE Diversity Survey, 2021

therefore be advisable for business leaders to check what exactly their employees need—by carrying out an internal survey, say—before developing specific actions.

Driving diversity in companies

Research carried out for our *Women Matter* series of publications over a period of more than a decade shows that there is no single fix for gender inequality in companies. Different types of interventions can be effective, but they must be adapted to the company's specific gaps and incorporated into a larger "ecosystem of change" within the organization.

We propose structuring this ecosystem of change along the "influence model", typically used for larger organizational transformations (Exhibit 19). The influence model identifies four key areas that need to change in order to achieve cultural, mindset and behavioral transformation among employees: role modeling, understanding and conviction, formal mechanisms, and confidence and skill-building.

The influence model translates into a number of practical recommendations with regard to achieving female parity. Thus, in the area of role modeling the company's leadership should be fully and visibly committed to the diversity agenda. It is not enough to allocate this task to the human resources function.

To aid understanding and conviction, firms might consider conducting awareness campaigns to make employees understand the value of diversity, and highlight the areas where current gaps lie. One of our interviewees pointed out that measuring the effectiveness of teams can provide strong evidence for the superiority of diverse teams. This can then be communicated convincingly to the rest of the organization.

Our broad survey of employees revealed that one of the key reasons why both men and women in CEE thought that they could not achieve top leadership positions was the fact that such promotions were not based on

Exhibit 19

Companies can use the "influence model" to drive diversity.

Role modeling

“I see my leaders, colleagues, and staff being more inclusive and committed to diversity”

Commitment of top leaders: Ensure CEO and top management visibly commit to achieving diversity through a robust strategy and implementation plan

Inspiring stories: Share stories of female and male employees whose actions are an example to others

Understanding & conviction

“I know what diversity challenges we have and how we plan to solve them ”

Value of diversity: Make a strong case for gender balance in the organization, linked to the company's purpose and business goals

Progress tracking: Create a system of metrics for tracking progress on tackling diversity challenges

Concrete goals: Set realistic and measurable diversity goals taking into account the firm's specific context

Inclusive change: Involve men in discussions about gender equality to ensure alignment on how they can contribute to and gain from the transformation

Formal mechanisms

"I believe that all the processes and benefits offered by my company are fair and transparent"

Fair and transparent processes: Implement systems for de-biasing recruitment, evaluation and promotion decisions

Flexible work: Offer flexible working arrangements and encourage take-up

Support parents: Strengthen return-to-work programs to help people maintain networks skills, and knowledge during periods of parental leave

Confidence & skill-building

"I have the skills to support colleagues and understand how to act with respect"

Sponsorship and mentorship: Establish sponsorship schemes for under-supported talent

Skilled managers: Invest in management training programs to improve managers' ability to cater to the needs of diverse talent

Unconscious bias: Raise awareness about unconscious bias and discriminatory behavior through employee training sessions

Behavior standards: Eliminate discriminatory behavior in the workplace by implementing high standards and supporting them with disciplinary processes merit. Fair and transparent processes and formal mechanisms are required here, including a meritocratic system where criteria for career progression are clear and equal for everyone. Formal mechanisms are also needed when it comes to issues related to parenthood, such as the provision of flexible work options, extended leave for mothers and fathers, and back-to-work programs.

Finally, employees need confidence and skill-building in order to support colleagues from different backgrounds and to act respectfully towards them. For this reason most diversity measures, if not all, should be open to all employees and not just women. This also avoids the risk of stigmatizing women or sending out a signal that women need some sort of "special care."

***

The need for action in Central and Eastern Europe is pressing. A significant part of the population is failing to realize its full potential contribution to the region's economy—a contribution that we calculate could be as much as €146 billion in extra annual GDP by 2030. Releasing that value requires urgent action by governments and businesses to correct the gender imbalance that pervades organizations of all types, and more generally in society. The burden of unpaid work, borne largely by women and somewhat exacerbated by the COVID-19 pandemic, represents a major barrier to progress on gender parity.

Yet, we believe that it would be wrong to view the current situation in entirely pessimistic terms. Indeed, our message is one of optimism. Correcting the gender imbalance in Central and Eastern Europe would be a win-win measure. It would radically benefit women in their careers and personal lives. And at the same time, it would have a potentially transformative effect on the economies of Central and Eastern Europe.

Methodological appendix

CEE Employee Survey

The CEE Employee Survey was conducted between April and May 2021, collecting more than 3,000 responses from men and women in an equal split. Respondents were employees of CEE-based companies that employ at least 500 people. The survey was launched in the Czech Republic, Hungary, and Poland, and collected an equal number of responses from each country. Respondents came from a variety of functional backgrounds, seniority levels and demographics, and sectors such as agriculture, heavy industries and mining, energy and utilities, manufacturing and construction, wholesale and retail and services, among others.

The survey included more than 50 questions, and covered multiple themes (for example, the working environment, career progression aspirations, gender diversity practices, and gender equality in society) as well as demographic questions (such as age, sexual orientation, family and work status, seniority level). The questions were based on the methodology from the McKinsey report series *Women Matter*.[125] Many of the questions offered a six-point, labeled response scale (“strongly disagree” to “strongly agree”), while others asked respondents to choose one or more answer options that apply, or to rank them according to importance. Responses are declaratory, and not based on observations of actual behavior. These answers represent point-in-time snapshots and reflect responses and experiences at the time that the survey was taken.

Executive interviews

We also conducted 30 interviews with top executives of large CEE-based companies. Interviewees included both men and women, from nine different industries in seven CEE countries, including Czech Republic, Croatia, Hungary, Poland, Romania, Slovakia, and Ukraine. The interviewees lead companies from a range of sectors, including banking, energy, consumer goods, pharmaceuticals, telecommunications, among others. Within the quotes, some identifying details such as individuals’ and companies’ names have been anonymized to protect speakers’ anonymity.

The interviews were conducted following a uniform interview guide and consisted of an unstructured personal experience discussion and a structured questionnaire regarding companies’ diversity policies, focusing on leaders’ workplace experiences, in order to gain a deeper understanding of the quantitative findings from the survey. The personal experience part focused on career progression, challenges, and valuable practices. The second part of the structured questions asked respondents to discuss their companies’ currently implemented gender diversity practices, rank the importance and effectiveness of these practices, indicate at which state of progress their companies are in terms of gender diversity, and to weight the importance of gender diversity practices along the employee life cycle of recruitment, retention, and career progression.

Financial business case

Our methodology is based on the *Women Matter* report series. The assessment of gender diversity is based on publicly available data from over 1,200 companies across 18 countries globally, including Czech Republic, Hungary and Poland. The demographic and financial data were not available uniformly for each company in our data set, so the final tally of companies analyzed for a given correlation is less than the full sample of companies available. The exact sample size for each correlation appears in the exhibits.

We measured profitability using average earnings before interest and taxes (EBIT) margins over the five-year period from 2014 to 2018. “Executive team” refers to the CEO and up to two levels below (the executives at the C-suite level who report directly to the CEO, such as the CFO, COO, and presidents). “Board of directors” refers to the official directors of the corporate board, responsible for governance and, in some cases, management of the business.

Companies in the global data set were grouped into quartiles based on the diversity of their organizations at each level. For gender diversity, quartiles were based on the percentage of women at a given level, and set relative to the total (“global” sample) of 18 countries: Australia, Brazil, Czech Republic, Denmark, France, Germany, Hungary, India, Japan, Mexico, Nigeria, Norway, Poland, Singapore, South Africa, Sweden, the United Kingdom, and the United States.

We grouped companies into peer groups based on industry group and headquarters geography (regionally, to ensure a sufficient sample size). Within each industry-geography pair, we then determined the relevant benchmark for “outperformance” for the financial metric: EBIT margin benchmark set to be above the median for the relevant industry-geography peer group. We ran multivariate regressions to confirm that the relationship between either type of diversity and financial performance exists. We generally publish all results and note statistical significance. We consider as statistically significant any correlations with a p-value of <0.1.

For further information on the approach, please refer to the Methodology chapter of the “Diversity wins: How inclusion matters” publication of McKinsey & Company on McKinsey.com.

GDP and Gender Parity Score calculations

McKinsey Global Institute (MGI) has built a supply-side model that estimates the economic impact of closing the gender gap in labor markets in 95 countries. In all countries, the model estimates and forecasts the GDP contribution of women and men in the period of 2015 to 2025. The model captures differences in male and female contributions to GDP due to three factors: participation rates, hours worked, and the distribution of employment among 14 sectors of the economy.

The use of MGI’s original model was complimented by another model to calculate the current and historical state of male and female GDP contribution in each country, and to assess the progress that has been made since MGI’s GDP model had been introduced, using the most recent data sets available for each variable included. The model calculates GDP using five inputs, each of which is estimated by gender: GDP = working-age population x labor force participation rate x employment rate x full-time equivalent rate x labor productivity per full-time equivalent employed. The employment rate is the percentage of the labor force that is employed. The full-time equivalent rate is the ratio of full-time equivalent employees relative to total employees. Labor productivity per full-time equivalent employed is the economic output of each full-time equivalent employee. As there has been no change in the share of female and male GDP contribution, the original model’s forecast estimates are used to assess additional GDP impact in the period from 2021 to 2030.

The models do not include any second-order impact from increased participation of women, including increased consumption by women, or any drag on productivity due to changes in the supply of labor relative to capital. For detailed information on MGI’s methodology of the GDP and GPS calculations, such as the overall approach, data sources used, scenarios, forecasting assumptions, and the exact calculation of the Gender Parity Scores, please refer to the Appendix of the “Power of parity: How advancing women’s equality can add $12 trillion to global growth” publication of the McKinsey Global Institute on McKinsey.com.

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34 *The power of parity. How advancing women's equality can add $12 trillion to global growth*, McKinsey Global Institute, September 2015, McKinsey.com; sector mix of employment refers to the concentration of representation of men and women in the three broad sectors of agriculture, industry and services. A change in the sector mix refers to the shifting of women into work in higher-productivity sectors on a par with the employment pattern of men. MGI's research calculates the productivity of sectors based on the GDP contribution per worker, with mining and quarrying, utilities, financial services, real estate, public administration, transport and storage and manufacturing identified as the sectors with the highest productivity.

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About the authors

Joanna Iszkowska
Head of Communications in CEE

Joanna covers both external and internal communications, strategy, thought leadership, and publishing at McKinsey's CEE Office. In addition, she advises McKinsey clients on communication strategy, change management, and media relations. Prior to joining McKinsey, Joanna worked at *Newsweek* in Poland as a foreign desk reporter, correspondent in Brussels, and managing editor.

Kamila Kawecka
Junior Associate

Kamila specializes in helping companies become more agile and digital. She supports clients across geographies and sectors, with particular focus on telecommunications and energy. Based in McKinsey's Warsaw office, she considers contributing to education and knowledge as her greatest passion. She co-authored the McKinsey report, *Digital Challengers in the next normal: Central and Eastern Europe on a path to digitally-led growth.*

Júlia Lázár
Business Analyst

Júlia is experienced in organizational transformations and has advised clients in the public and social sectors, focusing on agile and data-driven operations transformation. Júlia's expertise includes data analytics. Prior to joining McKinsey & Company she worked in technology advisory services. She is based in McKinsey's Budapest office.

Márta Matécsa
Associate Partner

Márta is a leader of McKinsey's risk and resilience work in Europe, and focuses on customer assistance and loss mitigation globally. She helps clients in financial, advanced industries, energy and basic materials sectors mainly in the field of strategic turnarounds, commercial excellence, digital transformations, and risk management, by integrating advanced analytics, digital and lean capabilities. She also helps lead recruiting in the Budapest office, carrying out McKinsey's diversity and inclusion goals.

Paweł Nawrocki
Associate Partner

Paweł supports clients in complex operating model and culture change transformations as well as reimagined end-to-end digital and omnichannel experience building. Based in McKinsey's Warsaw office, he focuses on the financial and telecommunications sectors in the region.

Jurica Novak
Managing Partner in CEE

Jurica advises clients in the financial, telecommunications, consumer goods, and private equity sectors on strategy development, including digital, corporate finance, and transformation. He is a member of the McKinsey Global Institute (MGI) Council, which advises on MGI research on global economic, business, and technology trends. Jurica has co-authored several McKinsey reports, including two *Digital Challengers* reports and *A new dawn: Reigniting growth in CEE.*

Dániel Róna
Partner

Dániel leads McKinsey's agile work in Central Europe and is a leader the Enterprise Agility Center. He works with institutions across industries to shape their growth strategies and drive large-scale agile transformations. His clients include financial institutions, utilities, telecommunication companies, oil and gas companies, and healthcare companies from across Europe.

Iva Štverková
Junior Associate

Iva focuses on strategy and transformation of processes, and is based in McKinsey's Prague office. She has supported clients across Europe in telecommunications and consumer goods industries. She previously worked in the public sector, in defense area.

Several dozen individuals contributed to this report. They include, in alphabetical order, Graham Ackerman, Rishi Aora, Eleonóra Bacsó, Tomasz Bara, Agnieszka Czabańska-Zielińska, Diana Cristea, Alexandru Filip, Linda Gemrich, Gosia Gontarz, Olga Gordusenko, Jess Huang, Mateusz Kamiński, Wojciech Kazanecki, Jarosław Kempczyński, Martina Konecna, Nóra Kovács, Valéria László, Małgorzata Leśniewska, Ludmila Lucka, Anu Madvagkar, Lungile Makhanya, Milena Malinowska, Magdalena Maratova, Tomasz Marciniak, Maria del Mar Martinez Márquez, Tomasz Mataczyński, Roksana Mirek, Evgenia Novikova, Ivana Novosel, Fruzsina Nyáry, Daryna Ostafiichuk, Ilija Obradovic, John Pratt, Sandra Sancier-Sultan, Helena Šarkanova, Ramzi Sinno, Natalia Sobczak, Julia Sperling, Dan Svoboda, Margaret Swink, Nina Szczudlik, Katarzyna Tłuścik, Kinga Young, Ivana Valachovicova, Dóra Vargha, Michał Zdunek, and Alix de Zelicourt.