Joint Workshop on

The Business Case for Women’s Economic Empowerment

BACKGROUND PAPER BY THE OECD

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2 rue André-Pascal, 75016 Paris
1. The business case for women: the issues

"Reducing persistent gender inequalities is not only necessary for reasons of fairness and equity, but also out of economic necessity. Greater economic opportunities for women will help to increase labour productivity, and higher female employment will widen the base of taxpayers and contributors to social protection systems which will come under increasing pressure due to population ageing. More gender diversity would help promote innovation and competitiveness in business" (OECD, 2011a).

These findings from the OECD's interim report on the Gender initiative are increasingly being recognised by business. However, to focus the attention of CEOs and senior managers on improving gender diversity it is essential that a clear and compelling business case is made, backed by the best possible evidence and analysis. There are several reasons why businesses should be – and increasingly are – interested in enhancing the role of women in their companies. These include: a) to attract and retain the best talent; b) to enhance diversity and improve performance in the workplace; c) to better serve consumer markets, including those in which women are the main clients.

With growing competitive pressures, firms are constantly looking for the best talent. As discussed in the OECD's interim report (OECD, 2011a), a growing share of the talent emerging from the education system consists of women, and a growing share of women achieve technical degrees. Firms risk being disadvantaged if they do not leverage this talent pool. With rapid ageing in OECD countries and beyond, the search for talent is of growing importance to many businesses, and raising the role of women is increasingly seen as part of the solution. Firms that are not able to address gender equality in the workplace also risk not being attractive for the next generation of talent.

Improving the allocation of talent across the economy also has important implications for overall economic growth; for example, a recent study for the United States suggests that between 17 and 20% of US economic growth between 1960 and 2008 can be attributed to the changing allocation of underrepresented groups in the workforce, notably women (Hsieh, et al, 2011). In addition, research shows a direct link between increased female participation in the workforce and growth. It is estimate that if women's paid employment rates were raised to the same level as men's, GDP would rise 9% in the U.S., 13% in the Eurozone and 16% in Japan (World Economic Forum, 2011; ESCAP, 2007).

Tapping into the best talent is not the only reason why many firms are actively engaged in gender initiatives. Several other factors play a role. For example, gender initiatives may involve practices to achieve a better balance between work and family life. Such practices may reduce stress, sickness and absenteeism and can also make a firm more attractive as a place of work, thus increasing staff retention. A recent review of the literature (Beauregard and Henry, 2009) finds that the introduction of work-life balance practices do not necessarily resolve the potential conflicts between work and life. However, the study points to a range of benefits from such practices for organisational performance, including on improving perceptions and recruitment.

(1) This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

(2) The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
However, these benefits depend on the specific context, including national factors, job levels and managerial support.

Moreover, a greater role of women will also enhance diversity, which can be valuable for a firm’s performance. For example, in an increasingly complex world, firms may value diverse perspectives to solve problems, take decisions and enhance leadership. This is particularly important at the level of boards – and is discussed further in Box 1 below – but is also valuable at other levels of decision making. Moreover, the effect of more women board directors may trickle down to management and other levels within the firm, possibly due to more inclusive workplace cultures and the presence of role models and potential mentors for younger women.

Women also account for an important part of the global consumer market, and make a large share of the buying decisions in households. Firms – in particular firms serving consumer markets – may therefore look for women to better understand buying patterns and help develop and market products aimed. This is also important in developing countries, where several firms use women’s networks to reach rural markets that would otherwise be difficult to reach.

Several studies have also argued for a positive relationship between the financial performance of a firm and the participation of women in boards or in the higher management levels of the company (McKinsey, 2008). However, most empirical analysis has provided mixed results on this question (Terjesen, et al, 2009; Box 1) to date. However, a recent study by Dezso and Ross (forthcoming), covering the 1500 US firms included in S&P over the period 1992-2006, found that female representation in top management does improve firm performance, but only to the extent that a firm’s strategy is focused on innovation as part of its business strategy. The study also found that female representation in other (non-innovation oriented) firms does not impair their financial performance. Recent work on over 700 firms in France, Germany, the United Kingdom and the United States (Bloom, et al, 2009; 2010) found no direct financial benefits from family-friendly policies, but found that such policies also do not hurt financial performance, while they may have other benefits. Further studies on this issue are discussed in Box 1 below.

Finally, firms may also look for other non-financial benefits, such as an improved image or strong female role models that can indirectly contribute to firm strategies.

The next section briefly discusses key issues related to the under-representation of women in the business sector, including in senior positions and management, and potential approaches to address it, both in business and government. Section 3 explores the role of women on boards, including recent policy initiatives, while section 4 draws some brief conclusions.

2. Plugging the leaky pipeline

Despite the potential benefits from an increased role of women as highlighted above, women remain underrepresented in the business sector in most countries, in particularly at the higher levels and in certain sectors. For example, in 2010, only 5.5% of executive directors included in the FTSE-100 were female, whereas 12.5% of all directors were female. A recent special report by the Economist showed that in the United States in 2010, gender equality in business was reasonably well established for professionals. However, only between 15 and 20% of women are also under-represented in the business sector as entrepreneurs. This is not further discussed in this paper, but is being addressed in the OECD’s Gender Initiative.

The Female FTSE Board Report 2010, Cranfield University.
of all executives are women, less than 10% of all top earners are women, and fewer than 5% of all CEOs. These and other available data suggest that women do not lag too much in entering the business sector as a whole, but that they lag in certain sectors and functions, and that few reach higher levels in the firm. Figure 1 illustrates the leaky pipeline on the basis of OECD and ILO data, showing that OECD countries and emerging economies all have a significant gap between the participation of women in the labour force on the one hand, and women in professional or senior management functions on the other.4

**Figure 1. The Leaky Pipeline**
Women in the Labour Force, as Professionals and as Senior Managers, as % of total

![Figure 1](image)

Note: Information on data for Israel: [http://dx.doi.org/10.1787/888932315602](http://dx.doi.org/10.1787/888932315602)

Source: Women as % of labour force from OECD, Employment Outlook 2010; Women as % of professionals and a senior managers based on employment by occupation (ISCO-88) from ILO, KILMS data.

There are several factors and policies that contribute to the “leaky pipeline” (Figure 2):

- Absence of a supporting policy framework, including education, employment and social policies, discussed extensively in previous OECD work and in the OECD’s interim report on the gender initiative (OECD, 2007 and 2011b). For example, choices of what subjects to study are a major influence on later career choices and career development.

- General norms and cultural practices within countries.

- Inadequate formal and informal corporate practices, including human resources practices and the commitment of management.

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4 Senior managers covers category (2) of the International Standard Classification of Occupations (ISCO), and includes legislators, senior officials and managers.
This paper mainly focuses on the latter. Many firms are currently actively engaged in efforts to strengthen the role of women and fix the leaky pipeline, which suggests that these firms find that the associated benefits outweigh any associated costs. Such efforts include:

- Changes in human resources practices, in recruitment, promotion, mobility, re-entry, etc, to remove potential biases against women or flexible working arrangements. This can involve training for recruiters and managers on the importance of diversity or on identifying potential prejudices, or in improving the focus of recruitment campaigns on women, or quotas on list of candidates proposed by executive recruiters.

- Encouraging gender-friendly practices within the firm, *e.g.* in terms of flexible working hours, part-time arrangements, work-sharing arrangements, arrangements for working from home, etc.

- Fostering coaching and mentoring of women, also since women in many firms often less actively seek out open positions than men. The seniority of mentors matters too; research for the United States suggests that mentors for men are often more senior than those for women, which helps explain why more men make it to the top (Catalyst, 2011).

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5 See *e.g.* Deloitte (2011); McKinsey (2008). Further information on such practices will be drawn from the workshop of 2 February.
• Fostering networking between women, which is of particular importance for access to certain resources and information to which women may not otherwise have access. A recent study (Lelanne & Seabright, 2011) highlights the role of social networks and the job-related benefits emerging from such networks.

• Setting targets and measuring performance, making managers accountable, as this helps ensure the attention of middle and senior managers and enables gender initiatives to become an integral part of the firm's decision making. For example, ING links parts of its business unit’s bonus pool specifically to diversity goals (McKinsey, 2008).

The business literature suggests that such practices are more prevalent in firms that already have more women as managers. Moreover, they are often related to a strong commitment of the CEO and top management to enhance the role of women.

Policies to help plug the leaky pipeline

While individual firms have their own responsibility to enhance the role of women in business, governments may want to play an active role in supporting their efforts, considering the broader social and economic benefits that can flow from women empowerment. Governments can use several approaches.

First, as discussed extensively in the interim report (OECD, 2011a), government’s can strengthen the supporting policy framework for business, by making changes in education, employment and social policies. This can help firms to change corporate practices in their own context. For example, Denmark has pioneered a “flexicurity” employment policy which is designed to offer a balance of flexibility and security through workforce training as well as social and employment security measures (OECD 2011c). Policies related to education and training can also be important, as they can further increase the pool of talent, e.g. in technical or management subjects.

Influencing formal and, in particular, informal corporate practices is more difficult. However, governments can play a role in addressing cultural barriers and stereotypes about the role of women in society and business by collaborating with business, NGOs, academia or the media on awareness campaigns. This can include reports or indices which provide metrics about women in business which can both help raise awareness and measure progress on these issues within and between countries. The OECD’s Gender Report is one such example as are reports and statistics from other international organisations. The World Economic Forum introduced The Global Gender Gap Report in 2006 and, more recently, The Corporate Gender Gap Report (World Economic Forum, 2011). These reports are based on surveys conducted at the national and corporate levels and are presented each year to political and business leaders to provoke further action.

Other awareness-raising initiatives include disseminating profiles through the media, schools and communities of successful business women. These profiles raise awareness, help change public perceptions and serve as important role models for young women. For example, the European Commission has set up the European Network of Female Entrepreneurship Ambassadors whose role is to speak about their experiences at schools, community groups, conferences, business networks and the media. These initiatives can also help companies identify talented women to hire for senior management or board positions. In 2010, Germany's Chancellor Angela Merkel supported the launch of the AcademiaNet Internet portal, which features the profiles of outstanding female scholars, which aims to increase the number of women in key positions. In addition, governments can support awards for women in business (or in traditionally male dominated fields such as science and technology, like the UNESCO
Women in Science Awards) and/or for companies with policies to promote women (such as the Catalyst Awards in the U.S.).

Moreover, government can lead by example by enhancing the role of women, including at senior levels, within the public sector, associated semi-public agencies and enterprises that are fully or partially state-owned. Many governments also actively support women-owned businesses of all sizes through a broad set of policies and measures. These initiatives can also help build a larger pool of women with senior management experience.

Government initiatives can be taken at the national, regional or local level, through the establishment of councils, centres and other initiatives. For example, in the U.S., The National Women’s Business Council (NWBC) serves as an independent advisor to the President, Congress and the SBA, conducting research and advising on programmes. Each year, NWBC prepares a report outlining progress and recommendations for further developing policies to support women-owned businesses (NWBC 2011). Governments can also support the development of women’s business networks within local communities or certain sectors.

Finally, governments also influence corporate practices through other channels, including competition and tax policies. For example, Bloom et al (2009) find that firms that have better management use more family- (or gender-) friendly practices. Much of the variation in management quality and practices is related to ownership, with government, family and founder run firms typically poorly managed compared with other firms, including multinational firms, dispersed shareholder and private equity run firms (Bloom, et al. 2011). Governments can thus indirectly support gender practices by improving management, for example through the removal of distortions that favour family ownership, including in the context of inheritance tax, as well as by fostering competition.

3. Women in the boardroom

In recent years the issue of diversity on boards has gained considerable interest in the corporate governance literature supported by growing evidence that diversity in the boardroom is a favourable condition for effective business (Ellis and Keys, 2003; Carter et. al, 2003, Perry and Shivdasani, 2005). Gender diversity on the board6, as one of the dimensions of diversity, and how it may facilitate the board with an enhanced competence profile, thereby contributing to better corporate governance7, and firm performance has attracted a growing research interest as well (Box 1).

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6 According to the OECD Principles of Corporate Governance the board is entrusted by shareholders to make important decisions, such as guiding corporate strategy, monitoring management performance and achieving an adequate return for shareholders, while preventing conflicts of interest and balancing competing demands on the corporation.

7 Corporate governance is recognised as one key element in improving economic efficiency and growth as well as enhancing investor confidence. Corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the company’s objectives are set and the means of attaining them. Good corporate governance should provide proper incentives for the board and management to pursue objectives in the interest of the company and its shareholders, facilitating effective monitoring.
Box 1: The effect of gender diverse boards on governance and performance

The effects of gender diversity on the functioning of boards can be considered in terms of their effect on companies’ governance and companies’ performance, which is affected by corporate governance and a number of other factors.

Governance

The importance of diversity in corporate boards has been analysed in light of the agency theory and in the resource development framework. Both theories claim that individuals’ characteristics can influence the ability to monitor and advise the inside directors and provide outside connections (Bianco, Ciavarella, Signoretti, 2011).

A number of studies assert that a heterogeneous board can be a stronger monitor of executive behaviour (Anderson et al., 2009; Adams and Funk, 2010; Nielsen and Huse, 2010). Since women are generally excluded from the “old-boys networks”, female directors might bring more independent views into the boardroom and hence strengthen its monitoring function (Adams and Ferreira, 2009; Rhode and Packel, 2010). Moreover, gender diverse boards tend to have a wider range of backgrounds, experiences, perspectives and problem-solving skills. This rich set of experiences and knowledge can be passed on to top managers and potentially improve the governance of the firm (Anderson et al., 2009; Terjesen et al., 2009). Some studies suggest that more diverse boards are more likely to hold CEOs accountable for poor stock price and encourage better attendance of board meetings (Carter et al. 2003, Adams and Ferreira 2009). McKinsey & Co (2010) find that women are more likely to use leadership skills, such as people development, rewards, role models, inspiration and participative decision making than men.

As for the effects of diversity on the adoption of good corporate governance practices, more women on boards is associated with stronger attention to the handling of conflicts of interest (Brown et al, 2002). These results suggest that gender diverse boards contribute to better corporate governance. Finally, a recent contribution supports the idea that gender diversity is beneficial for shareholders by demonstrating its positive influence on a firm’s general orientation towards shareholders (Adams, Licht and Sagiv, 2010).

Overall the research evidence on the role of gender on boards remains inconclusive. Since the determinants of the boards’ makeup and their actions are intertwined, there is still no consensus about the direction and strength of the relationship between women on boards and the economic performance of firms (Terjesen, Sealy and Singh 2009; Coles, Daniel and Naveen, 2008; and Linck, Netter and Yang, 2008). Adams and Ferreira (2009), for instance, conclude that the impact of board diversity on performance is likely to be heterogeneous: some firms benefit from more diversity while others do not. Adams and Ferreira claim that “gender-diverse boards are tougher monitors” and suggest that for well-governed firms mandating gender quotas for directors can reduce firm value. Almazan and Suarez (2003) and Adams and Ferreira (2007) also confirm that too much board monitoring might decrease shareholder value.

Performance

The economic argument of bringing more women on boards is based on the proposition that firms which fail to select the most competent candidates for the board of directors damage their financial performance.

Despite a large body of literature that has analysed the relationship between women in leadership, including on boards, and the financial performance of companies, there is no consensus about the direction and strength of these relationships. One key challenge is to isolate the causal effect. In some studies that report correlations, the causality is unclear.

A number of studies (e.g. Catalyst, 2008; McKinsey&Co, 2007 and 2010) assert that better performing firms tend to have more women on their boards. However, these studies do not prove causality. Even though they show that better performing firms tend to have more women on their boards, we cannot conclude that more gender diverse boards generate better firm performance. It might be the case that firms with better performance are more likely to seek women or that if women are scarce commodities, they have the opportunity to choose to serve on better performing firms (Farrell and Hersch, 2005).
After controlling for various firm characteristics – including firm and board size, industry, share of inside board members and others - Carter et al. (2003) finds a positive relationship between the presence of women on the board and Tobin’s Q (i.e. the ratio between the market value of a firm divided by the replacement cost of its assets). for a sample of Fortune 1000 firms. The positive relation between women’s presence on boards and return on equity is confirmed by Lückerath-Rovers (2011) who apply an enhanced methodology of the Catalyst (2007) and McKinsey (2007) studies for Dutch firms. Positive effects on various company performance measures are also documented by Smith et al. (2006). Other country-specific studies have found positive stock market reactions to appointments of women (Campbell and Mínguez-Vera, 2009; Ding and Charoenwong, 2004) and higher volatility in stock returns of firms with lower fractions of women directors (Adams and Ferreira, 2004).

However, there are probably at least as many studies that find no or a negative relationship between female appointment on the board and firm financial performance (Lee and James, 2007; Ahern and Dittmar, 2010; Böhren and Ström, 2005; Rose, 2007; Marinova et al, 2010; and Randay et al., 2006). Hence, overall the research evidence on the business case remains inconclusive.

The ambiguous empirical evidence may be partly explained by differences in study design and the type of data used, including different institutional settings (countries and institutional contexts), samples (type of firms included, or periods of study); definitions of gender diversity (proportion of women directors or presence of women directors); measures of performance (accounting or market measures) and methodologies. There is a lot of room for improving the analysis by being more sensitive to the possible influences of the institutional context, of unobservable heterogeneity and of reverse causality as well as of other factors that might influence firm performance and directors’ characteristics (Adams and Ferreira, 2009; Ahern and Dittmar, 2010, and Grosvold and Brammer, 2011).

**Women on boards, the numbers today**

Nowadays, women tend to play a bigger role in the boardroom than in the past. In 2011, the "Catalyst Census: Fortune 500 Women Board Directors" reported that women held 16.1 % of board seats up from 9.6% in 1995. However, despite this increase, women remain by far the minority amongst board directors.

*Figure 3. Norway has the largest proportion of women on boards of listed companies
The share of women on boards in listed companies by country, 2009*

Notes: Countries are ranked in ascending order of the share of women on board. The minimum sample size is 200 observations. Results for Austria, Iceland, Slovenia, the Slovak Republic and the Czech Republic were dropped due to small sample sizes.

*Source: OECD, Secretariat tabulations on basis of ORBIS data.*
Of course, there are significant national variations in women's board representation. Considering the make-up of boards of publicly listed companies in 35 countries for which data from one single source is available, it appears that in 2009 the proportion of women on boards was highest in Norway at close to 40% (Figure 3). In Sweden, Finland, France and Indonesia the proportion of women on boards in listed companies was between 15% and 20%, whereas in the Netherlands, Japan and Germany it was less than 5%. In Norway the high proportion of women board members in listed companies is probably the result of the quota legislation introduced in 2003. This indicates that the presence of the quota legislation (and especially the strict penalty) can increase women representation on boards.

**Figure 4. The share of women on boards is similar in many sectors**

Share of women on boards of listed companies in selected economic sectors, 2009

Notes: Countries are ranked in ascending order of the share of women on board. The industry sectors correspond to the following NACE codes: Mining (Mining and quarrying: B 5-9); Manufacturing (C10-33); Construction (F 41-43); Administration (N 77-82); Real estate (L68); Finance (K 64-66); Information Technology (J 58-63); Public administration (O 84); Health and social work (Q 86-88); Education (P 85) and Professional and scientific activities (M 69-75).

Source: OECD calculations based on ORBIS data.

In order to better understand what type of firms women are most likely to work in and progress, the prevalence of women on boards by the number of employees per firm and by firm age was examined. In listed companies in both cases no visible trends could be depicted.

However, besides the difference of women between different types of firms, there are gender differences within the boardroom. There is greater prevalence of female directors in monitoring-related committees (such as the audit, nominating, and corporate governance committee). The highest representation of women on committees is seen in Finland (26.8%), Norway (26.5%) and Sweden (22.9%).

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Data is derived from the ORBIS dataset. ORBIS is a commercial database produced by Bureau van Dijk Electronic Publishing which contains structural and financial information for companies. The version used in this paper is the product of a systematic work of data checking and cleaning undertaken at the OECD (see Ragoussis and Gonnard, 2011).
**Example of some policy initiatives: why the push for more women on boards**

The limited presence of women on boards has led to a consideration of how to respond. Governments have introduced various initiatives to make up for the slow change.

**Voluntary Codes**

Corporate Governance Codes (CGC) are voluntary measures that are increasingly used to promote gender diversity on company boards. Non-compliance with the Code usually does not result in a penalty, but requires an explanation. Raising the issue within the company might be an initial step towards greater gender equality. In some countries, like Austria, Denmark, Finland, France, Germany, the Netherlands, Poland, Spain, Sweden, the United Kingdom, the inclusion of reference to gender in CGCs are deemed to have some influence on the composition of boards in listed companies. However, the situation differs between countries. Although these corporate governance codes typically apply to large listed companies only and do not carry penalties, they can have some influence. For example, shareholders are more aware, demanding accountability and the media has also put companies under more scrutiny (European Commission, 2010).

The scope of the recommendations included in CGCs varies. In Finland, listed companies need to have at least one woman on the board. The Netherlands Code suggests that “the supervisory board shall aim for a diverse composition in terms of such factors as gender and age”. In the UK, the financial crisis has been a catalyst to push for more women in boardrooms. The Financial Reporting Council (FRC) has amended its CGC to require listed companies to report annually on their boardroom diversity policies, including those related to gender, as well as on any measurable objectives they have set for implementing the policy and the progress made in achieving them.

Regulatory alternatives similar to CGC are, for example, disclosure requirements such as those recently approved by Australia where ASX-listed companies are required to report certain information on gender diversity starting in January 2011. The U.S. Security Exchange Commission requires a description of the skills and experience needed for the board, including how a nominating committee considers diversity (GMI, 2011). In Austria, firms are required to publish all measures undertaken to promote women onto management boards and in Canada, Quebec has legislated gender parity for the boards of its Crown corporations (European Commission, 2010a).

**Mandatory legal quotas**

Mandatory legal quotas have also been introduced. Thus far, the issue has received the most attention in Europe, where gender board quotas for publicly listed companies have been established in France, the Netherlands, Norway, Spain, Iceland, Italy and Belgium (Table 1). The European Commission appealed for a voluntary commitment to increase women’s participation on corporate boards, with a view of reaching the target of 30% of women on boardrooms of listed companies by 2015 and 40% by 2020. However, if no progress is observed, quotas for public listed companies might be introduced.
After Norway introduced quotas for all publicly listed firms\(^9\), state and municipality owned companies, as well as co-operative companies in 2003, the increase in the proportion of women on boards was sharp: 9% of women in 2003 became 40% within five years.

The result shows that quotas can bring change very fast. However, this change was partly possible due to a receptive policy environment in the country, including the second highest employment rate of women among the OECD countries (OECD, 2011d) and a comprehensive set of family supporting policies and programmes. The high rate of compliance might also hide the fact that some firms avoided the quota by relocating or changing incorporation status, there was an overall decrease by over 30% of publicly listed companies between 2001 and 2008, whereas an increase (by over 35%) is observed among private limited companies during the same period (Norway, 2011b). However, this does not provide enough evidence to suggest that these changes occurred as a result of the introduction of a mandatory quota.

### Table 1. Quotas in the EU and sanctions for non-compliance

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<th>Provisions</th>
<th>Sanctions</th>
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<td>Since 2003, the <strong>Norwegian</strong> quota law requires all public (limited) companies listed at the Norwegian Stock Exchange as well as state-owned, municipal, inter-municipal and cooperative companies to appoint at least 40% of women on boards.</td>
<td>Implementation of legal sanctions in case of breach of the quota law, ranging from official warnings and financial penalties to ultimately delisting of the company from the Stock Exchange.</td>
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<td>In 2007, <strong>Spain</strong> adopted a Law on effective equality between women and men, which recommends to large companies with more than 250 employees and IBEX 35 to gradually appoint women on their boards, until an even number of male and women members has been achieved. These companies should, within eight years, gradually modify the composition of their boards until a proportion of between 40% and 60% of each gender has been reached.</td>
<td>There is no sanctions for failure to comply with obligations, but it will be taken into account when companies want to, for example, obtain the equality label, public subsidies or state administration contracts.</td>
</tr>
<tr>
<td>In 2010 the <strong>Icelandic</strong> parliament adopted a legislative reform to promote gender equality in the boards of publicly owned companies and public limited companies having at least 50 employees. Boards composed of more than three persons must consist of at least 40 per cent of each gender by September 1st 2013. Moreover, companies with 25 or more employees are required to disclose the number of men and women employed as well as the number of men and women in management positions</td>
<td>In case founders, directors and a manager or inspectors and others “neglect their duties in accordance with the legislation, the Register of Limited Companies may invite them to discharge these duties subject to a daily or weekly fine. Courts of law may be consulted about the legality of the decree within a month of the serving thereof.</td>
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<td>In 2011, <strong>France</strong> adopted a quota law that obliges listed companies and companies employing at least 500 employees and with revenues over € 50 million to appoint at least 20% women on their boards within 3 years and 40% within 6 years.</td>
<td>Main penalty of the law is that an appointment of a board member that does not meet the criteria in terms of gender will render the appointment invalid.</td>
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<td>In 2011, the <strong>Netherlands</strong> adopted a legal target of minimum representation of 30% of each gender on boards (executive and supervisory) for large companies (250 employees, listed and not listed) per January 2016. The law is a temporary measure, to be reviewed in 2016. In 2016 the relevant articles will be rendered void.</td>
<td>Failure to meet this legal target must be reported on in the annual report. There are no further sanctions.</td>
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\(^9\) The Nordic model of corporate governance lies between the Anglo-Saxon one-tier and the continental European two-tier model (divided between an executive directors’ board and a separate supervisory board). The Norwegian system is a one-tier system where the board is responsible for the overall management of the company. The board consists of non-executive board members with the daily management of the company delegated to the CEO.
In 2011, **Belgium** adopted a law imposing one third of each gender in management boards of state and publicly listed companies. State companies are granted one year to comply, listed companies five years and small to medium-sized (listed) firms eight years.

Sanctions: loss of benefits by board members until the quota law has been complied with.

In 2011, **Italy** approved the introduction of gender quotas of one third of each gender by 2015 (one fifth in a transitional period of one year) for boards of directors and statutory auditors’ boards of listed companies and state-owned companies. The rules are applicable to boards appointed starting from the first year following the coming into force of the new law.

Sanctions are progressive: warning; fine; forfeiture of the offices of all members of the board.

The other important reason for general compliance with the quota in Norway is the strict penalty imposed for non-compliance. Companies that would not meet the target were threatened to be de-listed. This contrasts with the requirements of the Spanish Law of Equality which does not specify a penalty in the case of non-compliance. Although the representation of women on boards of the largest listed Spanish companies has increased from 5% in 2006 to almost 10% in 2009, the progress is not as visible as in the case of Norway (EC, 2010b).

The Norwegian experience shows that quotas are effective in advancing gender parity at board level but the economic consequences of the law reform have yet to become clear. Ultimately, a few years might not be sufficient a time to judge the effects of the law, especially considering it was introduced only two years before the financial crisis. Hence, some reported losses in profit cannot be solely attributed to more diverse boards.

Moreover, the Norwegian experience reveals that the law has impacted on board membership but there has been no real shift in the number of women in top management positions. According to the ORBIS study the proportion of women senior managers in listed companies in Norway remains at 20%. However, the shortage of supply of qualified candidates might be a temporary phenomenon. Time and policies that boost the supply of women workers might bring about real changes to the corporate structures of the firms.

**Going forward**

Despite progress in many dimensions of labour market participation and education levels, women are still underrepresented in boardrooms. This gender imbalance has recently received a lot of attention from corporations and governments. Although the general arguments for more women on boards seem apparent (e.g. increased talent pool, better representation of different experiences, better understanding of consumer needs and others), and there is evidence that women directors can impact on board dynamics, however, the business case for women on boards is not conclusive.

Moreover, when considering policy initiatives, the national socio-economic environment of countries needs to be taken into account. Under these circumstances, the most efficient is probably to work through new or existing national voluntary codes. Most countries today have nationally accepted corporate governance codes that increasingly address board diversity. Compliance with the code is typically part of the listing requirements and the comply or explain natures makes it possible to accommodate both firm specific needs and national differences in the size and composition of the talent pool.

Firms will not be able to comply with the quota legislation if there are stark deficits in the pool of women in employment and, particularly, in senior management. Especially for firms in certain industry sectors (e.g. mining, construction) the lack of women workers will make it even harder to meet quota targets. Complementary to these codes, additional initiatives such as...
internship programmes, family friendly policies and transparent recruitment processes will allow a greater influx of women into the labour force. In order to increase the incentive to have more gender diverse boards, non-compliance sanctions could be considered. This signals to companies that gender diversity is important but allows for a gradual formation of the necessary talent pool of women. Periodic revisions of progress could be useful in order to assess progress.

As long as the general economic business case for women on boards is not conclusive proposals for regulations enforcing quotas for women on boards must be motivated by reasons other than improvements in firm performance. Against this background, policy-makers are well advised to follow developments and experiences from countries that have already introduced mandatory quotas. Factors such as firm performance, the frequency of public listings and board quality would be important indicators. Countries that have introduced mandatory quotas should also follow up and evaluate the effectiveness, including possible unintended consequences.

4. Conclusions

The brief discussion in this note suggests that, at firm level, there are many instances where there is a good business case for women, although each case will differ according to the context of each firm. To attract and retain talent, improve aspects of company performance and better serve global markets, firms will increasingly need to strengthen the role of women, notably at the management level. The available research suggests that there can be benefits to firms in raising the share of women, even if the precise nature of these benefits will differ by firm - including possibly by sector - also depending on the national context. The available research also shows that even if the immediate financial benefits from such practices are often not directly apparent, they typically do not hurt performance and often have other benefits.

Firms can do much themselves to empower women in their own context and a range of good practices are emerging from the business literature. In practice, much will depend on the commitment of senior and middle management to drive the necessary change. Governments can support this process by improving the policy frameworks for business, reduce barriers, encouraging firms to empower women and enabling them to do so.
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