



Women in Boards – Speech at the House of Lords, UK*.

Sonja Lokar, President of the European Women's Lobby

EU Action to Improve Gender Diversity on Boards Inquiry
in the European Union Committee, Select Committee on the European Union
Subcommittee B: Internal Market, Infrastructure and Employment

Date: Monday, July 23, 2012 at 17h

Venue: House of Lords, London, UK. Committee Room 2.

*This speech was prepared in advance, according to the questions that had been remitted by the EU Sub Committee. The actual intervention was slightly changed according to the script of the meeting.

Introductory presentation:

I am Sonja Lokar, President of the largest umbrella organisation of women's associations in the EU, working to promote women's rights and equality between women and men. Our membership extends to more than 2000 organisations in all EU member states and Candidate Countries, as well as to 21 European-wide associations. In February 2012 European Women's Lobby made a Report on Progress, Gaps and Good Practice about women on boards in Europe, based on the insight analysis of the situation in 9 EU member states and in Norway, and formulated its 6 recommendations to EU and to member states:

1. Introduce binding legislation to reach 50% of women on boards by 2020
2. Introduce measures to increase the number of female chairs and CEOs
3. Limit the number of board positions one person may hold
4. Introduce measures to support enterprises and empower women
5. Favour companies with gender equal boards in public procurement
6. Address the root causes of women under representation

Questions and answers:

1. **Why do you think the current proportion of women on boards is so low? Is it a cause of demand, supply, or both?**

The root causes lay in the persistent gender stereotypes and unequal access to economic, social and cultural resources between women and men, in inequalities in the share of paid and unpaid work, and in insufficient work-life balance policies for both men and women. These root causes are creating both, the lack of demand but also the lack of supply, but in a very different way. The lack of demand is based on the lack of political will, while the lack of supply is not based on the lack of capable women who might become executive managers, board members, CEOs but on the structural barriers these capable women meet in the development of their business carrier.

Gender stereotypes and "old boys' network" attitude have been so strong that it was impossible until very recently, to create even an **initial political** will for gender diversity in the boards within the companies, in spite of the strong evidence of better efficiency of the gender mixed boards. Political will has started to change only when the governments, first in Norway, than also in Spain, France, Belgium, Italy and in the Netherlands,



introduced legally binding quota regulations. The initiative to improve the presence of women in company boards taken by EU commissioner finally triggered the first self regulatory initiatives in most of EU member states.

At the same time the last McKinsey report entitled “Women matter: Making the Breakthrough” illustrates very clearly how to overcome the issue of the lack of supply by depicting crucial structural barriers within the companies and the possible effective strategy that the companies could apply – they call it the “ecosystem for gender diversity”, consisting of management commitment with set targets, women development programs to enable them to develop new skills and networks, and a set of enablers, such as indicators for detecting inequalities, tracking of the progress, erasing gender bias in human resource processes and policies, developing supporting mechanisms for child care and similar out of work commitments of women.

2. Why do you believe that quotas are necessary? To which companies and positions do you believe quotas should apply?

There is enough evidence that self regulatory measures are not efficient enough but that they were a good starting point for the introduction of binding legal positive measures. This was the case in Norway, and later on in other countries as well. EWL recommends binding legislation with strong sanctions, for 50/50 on boards by 2020 to all listed and non listed public companies with more than 50 employees and to all state owned companies. It also recommends that Corporate Governance Code should introduce co-chairing or alternate chairing of boards between women and men and similar system also for the posts of Chief Executive and Chief Financial Officers. EWL also recommends of the number of board positions one person may hold.

3. Do you believe that there are advantages to a common European approach to increasing the proportion of women on boards. If so, what are they?

Yes, there are huge advantages. Whenever EU took a joint legally binding initiative to curb gender based discrimination or violence, the progress on this issue got an impetus and the countries lacking behind started to catch up, learning quickly from the countries with the best practice. I give you an example of combating sexual harassment and mobbing at work.

The already quoted McKinsey report leaves no doubt: they have investigated 235 European mostly largest companies. Only 123 of them were able to report on their self regulatory measures, and only 20 out of them were able to report on making progress with diversity. This is less than 10%.

There is also the evidence that within the researched companies women and men are differing to a very huge extent in their views on gender diversity programs. 65 % of women and only 40% of men think that gender diversity is an important driver of company performance, while 65 % of men and only 30% of women think that evaluation system in their company treats women and men equally. The perception of the needs for the change is much less expressed by the men who in fact are the ones to have the power of decision making. No legally binding and strongly sanctioned positive measures – no serious progress could be expected in short period of time. Even worse, there is also confirmed evidence that in number of EU countries the trend in the share of women on boards (Estonia, Cyprus, Hungary, Romania, Slovenia) as well as the number of the chairs and CEOs is falling (in 9 out of 27 EU member states and 15 out of 27 do not have any woman president of the highest decision making bodies of the largest publicly listed companies¹).

4. In the UK, Government have opted for a business-led, “voluntary approach” to increase the proportion of women on boards. The Cranfield School of Management’s Female FTSE Board Report 2012 estimates that as a result of this approach, the proportion of women on boards in the UK will reach 39.6% by 2020. Do

¹ Report on Progress on equality between women and men in 2011, DG Justice, European Union.



you believe that Member States making sufficient progress in increasing the proportion of women on boards without quotas should be exempt from EU - wide legislation?

Legally binding quota is not a goal, it is a tool. If one country can reach the target, which for EWL is 50%, not 40 % by 2020, legally binding quota is not necessary. What should be obligatory is to set up measurable targets in every field of gender diversity friendly ecosystem, to regularly track the progress made and then decide if the legally binding measures are needed or not after all. If the progress made in UK is like it is predicted, why should UK be exempted from the EU-wide legislation? It will make you no harm, and it might help you to keep your good results sustainable.

5. In Norway, which has introduced quotas in 2003, the numbers of women in executive posts are still very low and less than 3% of CEOs are women. Can quotas deliver sustainable change, or do they simply address the symptoms rather than the cause?

Once again, quota is not a magic wand! It is the most powerful tool to trigger the change. The changes needed are much more substantial: the commitment of management at all levels need to change, corporate culture needs to change, recruitment and evaluation systems need to get rid of gender bias, systems in support of the progress of women aspirants need to be put in place. But if the quotas are not obligatory and the sanctions not really strong, political will needed for all these changes to happen will take at least half of the century to develop. In the meantime Europe will be losing more than a half of its pool of talented business leaders! Can we afford this in global market competition?

6. Some have argued that quotas are “patronizing” to women. How would you respond to this? Is there a risk that women appointed to boards through quotas would be seen as not having been appointed on merit?

Structural gender inequalities which are hindering the promotion of women to the highest posts in economy in the societies with formal equality of men and women are not common knowledge. They are not only hidden, very often they are publicly denied by those who hold power. This is why not only many men, but also many clever women think that quotas are offensive and are making them look incompetent while they are often more competent than men they compete for the post with. It takes either strong expertise in gender inequalities or very bad personal experience of the glass ceiling for a woman to understand that quotas are necessary to remove structural barriers which have nothing to do with her personal capacity.

It is well known that new comers in the power circles are always accepted with suspicion, and often subjected to a series of techniques of domination. The only way for the women in the boards not to be marginalized and totally overlooked is that they come there well prepared and in a group, not one by one. If they come as a result of well planned and well implemented action for change, led by the company leadership, they will be able to prove that they do not lack merit, but bring added value to the decisions of the board.

7. Are there other measures that EU should take, either alongside or instead of quotas, to ensure better diversity on boards, such as reporting or monitoring requirements?

Yes, of course there are. First legally binding quotas need to be enacted with sanctions strong enough to be taken seriously. It is important to apply quotas for non- executive as well as executive positions in the boards. EWL suggests the Norwegian approach: the dissolution of the company for non compliance. The grace period needs to be given and mid term targets, deadlines and monitoring system need to be put in place. The UK gives us a good example how the government and the self regulating activities of the companies could be combined. Unfortunately the UK Government recommended target is too low, only at 25%. One needs to be aware that the



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companies will do just as much or as little they are obliged to do, this is why the targets need to be ambitious. Additional measures are also needed to ensure gender balance also between the presidents of the companies. Setting up of the databases for the women interested to become board members also could be very useful in helping the women and the companies to overcome the feeling that there is not enough competent and willing women around.

Sonja Lokar, President of the EWL

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