



► Improving gender diversity in company boards

Company boards today are more gender diverse than ever before with evidence backing up the benefits of having both women and men around the table when making critical decisions that determine the success of a company. While much progress has been made, the International Labour Organization (ILO) finds that over 50 per cent of companies surveyed in 2018 have low representation of women on their boards (less than 30 per cent) and over 13 per cent have all male boards.¹ In response to the gender diversity challenge, a wide range of initiatives and solutions have been proposed. Several countries have legislated boardroom quotas for their largest, publicly listed companies, while other countries have set voluntary targets to foster an increase in the number of women on boards and reap the rewards of gender diversity.

Countries are taking these measures to deliver equality of outcome or results, with the understanding that equality of opportunity and equal treatment may not be sufficient to break down the hurdles which have curtailed women's participation and advancement at work. It also connects to the thinking that equality in outcomes matters and is inseparable from creating the conditions for equality of opportunities.

Moving the dial through voluntary means

In many countries, companies are encouraged to disclose their gender diversity policies and set targets to drive market-led progress in achieving gender diverse boards. Without compromising merit-based appointments, voluntary targets allow companies to facilitate the advancement of women to board

¹ This brief was prepared by the ILO Bureau for Employers' Activities and expands on findings from the ILO report on *Women in Business and Management: The business case for change* (Geneva, 2019). The report is based on a survey of approximately 13,000 enterprises across 70 countries in five regions: Africa, Asia and the Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa. The responsibility for opinions expressed in the brief rests solely with their authors and do not constitute an endorsement by the International Labour Office of the opinions expressed in them.

positions by setting measurable objectives with discrete timelines. Voluntary targets are commonly introduced through corporate governance codes or legislation. A number of countries, including Australia, Finland, New Zealand, South Africa and the United Kingdom (UK), have used voluntary measures.

United Kingdom

The UK has made continued efforts to increase the diversity of company boards since 2011 when Lord Davies, the former trade minister, launched an independent review into women on boards and set a target of 25 per cent women in the 100 largest companies listed on the London Stock Exchange (FTSE) by 2015. In 2013, the Government introduced legislation requiring companies to annually disclose the number of female and male board directors, senior managers and total employees in their organizations to the public.²

With the 25 per cent target largely achieved by 2016, the Hampton-Alexander Review, an independent body backed up by the Government, set a target of 33 per cent representation of women on board by 2020 for the 350 largest businesses on the FTSE.³ Additionally, in 2018, the UK Financial Reporting Council revised the Corporate Governance Code encouraging companies to promote diversity across board appointments, succession planning and board evaluation, broaden the focus of the nomination committee by giving it responsibility for overseeing the development of a diverse pipeline for succession to senior management, and encouraging boards to think broadly about diversity in its different forms, including gender diversity.⁴

Considerable progress has been made in diversifying UK boards. The representation of women on boards of FTSE 100 companies stands at 32.4 per cent in 2019 compared to 12.5 per cent in 2011. Similarly, for FTSE 350, women's representation stands at 30.6 per cent of board

...women now hold more than a quarter of seats on boards of FTSE 100 companies ... this proves that UK's voluntary approach is working. Government can do more to help by expanding free childcare, promoting flexible working and tackling occupational stereotypes in schools.

CBI

Source: Adaptation of "CBI welcomes Davies report raising women on boards target to 33%", the Financial Times, 29 October 2015, <https://www.ft.com/content/d0268198-7d85-11e5-98fb-5a6d4728f74e>.

It's great to see FTSE firms continuing to make progress when it comes to diversity in boardrooms... if companies are to reach the [Hampton-Alexander] Review's 33% target by 2020, they must pick up the pace of progress...much of the focus remains on non-executive roles in listed firms, not the day-to-day leaders of our biggest businesses. We need more women in top executive roles, as CEOs, Finance Directors, running business units and on executive committees. And frankly, in 2018, there's really no excuse for any all-male boards.

Carolyn Fairbairn, Director-General, CBI

Source: "CBI responds to latest women on boards data", 27 June 2018, <https://www.cbi.org.uk/media-centre/articles/cbi-responds-to-latest-women-on-boards-data/> [accessed 9 Apr. 2020].

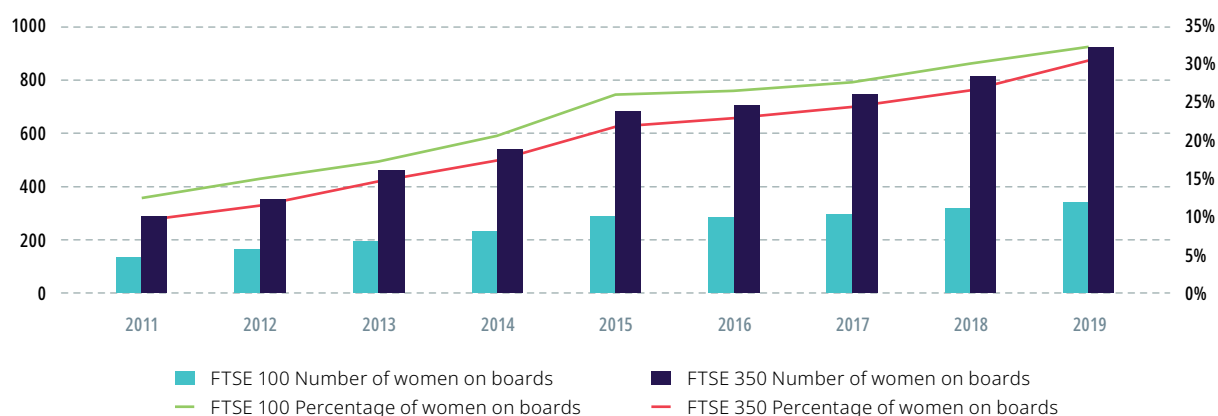
² UK Companies Act 2006, section 414C, <http://www.legislation.gov.uk/ukpga/2006/46/section/414C> [accessed 27 January 2020].

³ Hampton-Alexander Review, <https://ftsewomenleaders.com/> [accessed 27 January 2020].

⁴ Financial Reporting Council: *Board diversity reporting*, Sep. 2018, <https://www.frc.org.uk/getattachment/62202e7d-064c-4026-bd19-f9ac9591fe19/Board-Diversity-Reporting-September-2018.pdf> [accessed 9 Apr. 2020].

membership in 2019 in contrast to 9.5 per cent in 2011. Figure 1 shows the steady progress the UK has witnessed over nine years.

Figure 1. Number (left axis) and share (right axis) of board seats held by women in the UK, 2011–19



Source: Hampton-Alexander Review: “FTSE women leaders”, Nov. 2019, <https://ftsewomenleaders.com/wp-content/uploads/2019/11/HA-Review-Report-2019.pdf> [accessed 9 Apr. 2020].

The Confederation of British Industry (CBI) is a strong supporter of the voluntary approach, and it has consistently advocated for more women on boards. Internally, the CBI made a commitment to increase gender diversity by setting a target of 30 per cent female participation in member events and member committees by the end of 2016 on a comply or explain basis.⁵ In the context of the European Union, the CBI also encouraged listed companies to take voluntary measures to build a gender diverse boardroom as, otherwise, they could have faced mandatory quotas under the European Council’s 2012 proposal for a directive on women on boards.⁶

Australia

In 2015, the Australian Institute of Company Directors (AICD) called for the 200 largest listed companies in the Australian Securities Exchange (ASX) to achieve 30 per cent representation of women on boards by the end of 2018 through quarterly reporting, awareness building and collaboration with supporters. Women represented 19.4 per cent of board members of ASX 200 companies in 2015. In addition, the Australian Council of Superannuation Investors (ACSI), an umbrella organization representing institutional investors and international asset owners, implemented a policy to vote against companies with no female directors.⁷

As a result of the voluntary measure, Australia witnessed an increase of more than 10 percentage points in December 2019, reaching 30 per cent women on the boards of ASX 200 companies.⁸ Among

⁵ ILO: *Promoting women in business and management: A handbook for national employers' organizations*, 2017.

⁶ “CBI: put women on boards or face EU quotas”, *Telegraph*, 17 July 2011. The European Commission’s proposal for a directive on gender balance among non-executive directors of listed companies was supported by the Parliament in 2013; however, owing to reservations of several member States, no agreement was reached and the proposal has been blocked since. The Directive called that women make up a minimum of 40 per cent of company boards by 2020 in the private sector and by 2018 in the public sector. See <https://www.europarl.europa.eu/news/en/agenda/briefing/2019-01-30/8/meps-to-urge-eu-ministers-to-unblock-the-women-on-boards-directive> [accessed 9 Apr. 2020].

⁷ ACSI votes against all male boards, <https://www.acsi.org.au/publications-1/acsi-articles/1515-acsi-votes-against-all-male-boards.html>.

⁸ “ASX 200 hits 30% women on boards”, Australian Institute of Company Directors, 19 Dec. 2019, <https://aicd.companydirectors.com.au/media/media-releases/asx-200-hits-30-per-cent-women-on-boards> [accessed 9 Apr. 2020].

their top 100 companies, Australia surpassed 30 per cent female representation (31.8 per cent for ASX 100).⁹ Along with the UK, Australia is one of the very few countries that have made considerable progress to achieve 30 per cent gender diversity in their top 100 boardrooms without the use of quotas. They are also moving towards a 40:40:20 balance. In practical terms, this means 40 per cent of both women and men on boards, with the remaining 20 per cent being of any gender, allowing for boards with uneven numbers and the natural turnover of directors.

Both government and non-government bodies have been supporting businesses to advance gender diversity in the boardroom and in other levels of management. For example Australia's Workplace Gender Equality Agency (WGEA), a government agency created by legislation, delivers a mix of mandatory reporting from larger businesses (employers with 100 or more employees), data tracking, research and promotion. Through a combination of regulation and cooperation, WGEA generates accessible research and data to inform the Australian community on the state of play on women's participation in employment, relative opportunities and outcomes, such as pay for men and women.¹⁰

Relative opportunities, outcomes and incomes for women and men has been a major area of community and policy discussion in Australia for more than two decades, and Australian law and practice encompasses a range of both regulatory interventions, some of which place an additional burden on business, and other promotional information. Government networks, such as the WGEA, and industry initiatives are driving change from varying perspectives in this area. For example, the Australian mining, oil and gas industry – a high paying industry in which levels of female employment have traditionally been comparatively low – is actively seeking to encourage more women to enter the industry and build meaningful, rewarding careers.

Scott Barklamb, Director of Workplace Relations, Australian Chamber of Commerce and Industry

Source: Email interview with the International Organisation of Employers, 17 Feb. 2020.

Kenya

The Constitution of Kenya 2010 requires all businesses to have no more than two thirds of their board members of one gender. In addition, the Capital Markets Act of 2015, which outlines the code of Corporate Governance Practices for listed companies in Kenya, requires companies to consider gender when appointing board members.¹¹ No penalty exists for non-compliance; therefore, companies implement gender diversity on their boards through voluntary measures.¹²

According to the 2017 report from the Nairobi Securities Exchange, the proportion of female representation in boardrooms was 21 per cent in 2017, compared to 14 per cent in 2012.¹³ To meet Kenya's Constitutional requirements and bring more women into top leadership positions, the

⁹ Ibid.

¹⁰ See <https://www.wgea.gov.au/>.

¹¹ Deloitte: *Data-driven change: Women in the boardroom*, sixth edition, 2019.

¹² IFC: *Women on boards in Nigeria*, 2019, https://www.ifc.org/wps/wcm/connect/7f01fe3c-21e2-4653-98f6-b82e0f8833cb/Women_on_Boards_in_Nigeria.pdf?MOD=AJPERES&CVID=mLyez0p [accessed 9 Apr. 2020].

¹³ Nairobi securities exchange: *Annual report, 2017*, <https://www.nse.co.ke/investor-relations/financial-reports-and-results/category/46-nse-annual-reports.html> [accessed 9 Apr. 2020].

Federation of Kenya Employers (FKE) launched the “Female future” programme in partnership with the Confederation of Norwegian Enterprises in 2013. In 2014, 50 per cent of the programme’s first graduates became board members and about 70 per cent reported that they occupy positions that entail greater responsibility.¹⁴ FKE aims to train about 300 women by the end of 2020 and to have at least 60 per cent of trained women join at least one board.¹⁵

‘Female future’ in Kenya is FKE’s effort to bring more women into top management positions as well as into companies’ boardrooms ... it is the only programme of its kind in sub-Saharan Africa and has been developed to meet Kenya’s constitutional requirement of at least 33 per cent of either gender in top positions. It fairly gets women to the top.

Jacqueline Mugo, Executive Director, FKE.

Source: Standard Digital, “Federation of Kenya Employers trains women for the boardroom”, 7 June 2013, <https://www.standardmedia.co.ke/business/article/2000085390/fke-trains-women-for-the-boardroom> [accessed 9 Apr. 2020].

The debate: success with or without quotas

Gender quotas for company boards is widely debated. Supporters argue that quotas are an efficient means of improving the allocation of talent in the labour market, particularly when underlying challenges of discrimination and inequalities have led to the acute under-representation of women in top decision-making positions. Quotas may also bring positive externalities as female leaders serve as role models, inspire and provide motivation for more women to pursue education, career and leadership potential. From an equity perspective, quotas can directly increase female representation in corporate boards and deliver broader organizational impacts, including a trickledown effect in which having more women in senior management positions leads to better recruitment and retention of women.¹⁶

Critics, however, argue that this affirmative action jeopardizes meritocracy and would deliver less efficient results. Quotas may imply that less qualified women will join boards if the supply of qualified female candidates is not adequate and those appointed risk being stigmatized.¹⁷ It creates a negative working environment among colleagues. Critics also say that quotas may bring negative externalities for women as it could discourage them from investing in their personal improvement. From an equity point of view, quotas may crowd out other minority groups, as gender is not the only dimension of diversity.

Quotas: diverse approaches and varied results

In 2003, Norway was the first country globally to adopt a gender quota requiring a 40 per cent female board representation in public limited and state-owned companies. Legislated board quotas

¹⁴ ILO: *Promoting women in business and management: A handbook for national employers' organizations*, 2017.

¹⁵ FKE: *FKE 2018 Annual Report*, 2019, <http://www.fke-kenya.org/site/index.php/resources/2016-11-16-04-33-33> [accessed 9 Apr. 2020].

¹⁶ *Women in Business and Management: The business case for change* finds that when the board is gender-balanced with 40 to 60 per cent of either sex, enterprises are more likely to have women in senior management and top executive positions.

¹⁷ L.M. Leslie, D.M. Mayer and D.A. Kravitz, The stigma of affirmative action: A stereotyping-based theory and meta-analytic test of the consequences for performance. *Academy of Management Journal* (2014, 57), pp. 964–989.

have since been introduced in European countries, including Belgium, France, Germany, Iceland, Italy, the Netherlands, Spain and Sweden, as well as in other parts of the world, such as Israel and India. Quotas have also been implemented in subnational jurisdictions, such as the Province of Quebec in Canada and the State of California in the United States. These laws have been enacted in varying forms, with a range of objectives, scope of application, timelines for implementation and consequences of non-compliance.

Norway

Norway implemented a quota law in 2006, with a two-year grace period, and full compliance was required by 2008. Over 480 public limited companies affected by the quota faced the possibility of forced liquidation for non-compliance.¹⁸ The quota delivered a noticeable increase of women on boards from approximately 6 per cent in 2002 (year prior to adoption) to 40 per cent in 2008.¹⁹ The Confederation of Norwegian Enterprise (NHO), while advocating for more women in boards and management positions and providing training to women for future leadership roles through their “Female future” programme, was against the quota as it was seen as undue government interference.

The effect of Norway’s gender quota has been examined from various vantage points. For example, research finds that while the relative percentage of women on boards increased, this did not ultimately translate to more women holding directorships but rather more women serving on multiple boards. Such phenomenon is commonly known as the “golden skirts”. In addition, mixed evidence exists on whether companies appointed more female directors or if decisions were made to reduce the board size to more easily reach the 40 per cent quota.²⁰ Research also shows that shortly after the quota was implemented in Norway, a number of companies de-listed from the stock exchange.²¹ The likelihood of a company de-listing between 2003 and 2009 was particularly larger among companies with a smaller pre-quota share of women on boards. During the same period, research also finds that more Norwegian companies chose to register in the UK rather than Norway, suggesting that companies were circumventing the regulations.²²

We feel it is the responsibility of the owner to find the correct people on the board of directors... we believe in another strategy that works [than a quota].

NHO

Source: “Norway eyes female boardroom quota”, in *The Financial Times*, 20 Aug. 2011.

¹⁸ K. Nygaard, “Forced board changes: Evidence from Norway,” 2011, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1793227; “Quarter of Norway’s firms face shutdown as female directors deadline approaches”, in *The Guardian*, 22 Dec. 2007, <https://www.theguardian.com/business/2007/dec/27/norway.female.director> [accessed 9 Apr. 2020].

¹⁹ C. Seierstad and M. Huse, “Gender Quotas on Corporate Boards in Norway: Ten Years Later and Lessons Learned”, in *Gender Diversity in the Boardroom* (Palgrave Macmillan, Cham, 2017), pp. 11–45.

²⁰ C. Seierstad and T. Opsahl, “For the few not the many? The effects of affirmative action on presence, prominence, and social capital of women directors in Norway”, in *Scandinavian Journal of Management*, (2011, Vol. 27, No. 1), pp. 44–54.

²¹ K.R. Ahern and A.K. Dittmar, “The changing of the boards: The impact on firm valuation of mandated female board representation”, in *The Quarterly Journal of Economics* (2012, Vol. 127, No. 1), pp. 137–197; M. Bertrand, S.E. Black, S. Jensen and A. Lleras-Muney, “Breaking the glass ceiling? The effect of board quotas on female labour market outcomes in Norway”, in *The Review of Economic Studies* (2018, Vol. 86, No. 1), pp. 191–239.

²² R. Pande and D. Ford, “Gender quotas and female leadership”, World Development Report Background Papers (2012), <https://openknowledge.worldbank.org/handle/10986/9120> [accessed 9 Apr. 2020].

Spain

In 2007, Spain became the first country in the European Union to introduce a gender quota through its Gender Equality Act recommending all large public and private firms to designate at least 40 per cent of each gender on company boards by 2015. Unlike Norway, the Spanish quota extended beyond publicly listed companies and did not impose penalties for companies that failed to meet the target. Rather, it worked as a “soft” quota incentivizing compliant companies to receive preference for the tendering of public contracts.²³ Evidence is mixed on the effectiveness of the Spanish quota. Observing a 10 year period from 2005 to 2014, one research notes that less than 9 per cent of targeted firms complied with the quota and further finds that compliant companies did not benefit from being awarded government contracts.²⁴ Other studies show that all listed companies in Spain have at least one women while the majority of the largest listed companies having three or more women on their boards.²⁵

The Spanish Confederation of Business Organizations (CEOE) and the Spanish Confederation of Small and Medium Enterprises (Cepyme) expressed opposition to the quota, highlighting that the selection of board members should be based on merit, capacity and the company’s competitive interest.²⁶ The CEOE, however, has been actively promoting women’s career advancement by launching initiatives such as the Promociona Project together with the Spanish Institute of Women and for Equal Opportunities. The Project identifies potential female leaders and supports their advancement to top management positions.²⁷

France

Passed in 2011, the French Gender Quota Law, the *Copé Zimmermann*, requires all listed and non-listed companies with revenues or total assets of over EUR 50 million or employing over 500 persons for three consecutive years to reach a gender quota of 40 per cent by 2017, with a first step of 20 per cent by 2014. In case of non-compliance, the appointment of new directors are considered as null and void. Failure to comply also results in non-payment of the board attendance fees by the

Despite the efforts made by employers and business organizations and everything that has progressed in terms of equality in the business world, there are still certain inequalities ... it is always better to start from principles of voluntariness, capacity, merits and talent, before those of obligation ... and increase our efforts to raise awareness in the face of discrimination.

Antonio Garamendi, President, CEOE.

Source: “Women (with them)”, in *Spain’s News*, Feb. 2019, <https://spainsnews.com/women-with-them/?amp> [accessed 9 Apr. 2020].

²³ R. Mateos de Cabo, Siri Terjesen, Lorenzo Escot and Ricardo Gimeno, “Do ‘soft law’ board gender quotas work? Evidence from a natural experiment”, in *European Management Journal* (2019, Vol. 37, No. 5), pp. 611–624.

²⁴ Ibid.

²⁵ P. Gabaldon and D. Giménez, “Gender diversity on boards in Spain: A non-mandatory quota”, in *Gender diversity in the boardroom* (Palgrave Macmillan, Cham, 2017), pp. 47–74.

²⁶ Tania Verge and Emanuela Lombardo, “Corporate gender quotas in Spain: Resisting change, challenging resistance. European Consortium for Political Research”, Prepared for the ECPR General conference, Hamburg, 22-25 August 2018, <https://ecpr.eu/Filestore/PaperProposal/e86102dc-82c1-42be-a7b2-cb88f7c5022a.pdf> [accessed 9 Apr. 2020].

²⁷ See <https://proyectopromociona.com/en/the-project/>.

Voluntary targets didn't work [in France] ... misogyny [in business] is just like racism and sometimes this is very difficult to realize.

Douglas Branson, "The future of tech is female: How to achieve gender diversity (NYU Press, 2018).

Improvement without a law is so slow that we cannot stay doing nothing.

Laurence Parisot, past President, MEDEF.

"Women at the top: Laurence Parisot", in *The Financial Times*, 26 May 2011. <https://www.ft.com/video/2162a3fd-f579-3828-995a-c32c5dcf18a1> [accessed 9 Apr. 2020].

company.²⁸ In practice, the latter sanction has a limited effect on smaller companies since most of them use methods of board member remuneration instead of attendance fees.²⁹

France's push to increase gender diversity among its top companies has transformed its boardrooms. In 2018, the largest listed French companies had on average 44 per cent women on boards. Prior to legislating the quota in 2010, this figure was approximately 10 per cent.³⁰ Employers and business membership organizations in France, the Association of Private Enterprises (AFEP) and the Movement of the Enterprises of France (MEDEF), took proactive measures in anticipation of the boardroom quota by publishing a joint corporate governance code in April 2010. The code, issued as a means of executing "appropriate action to assure the shareholders and market that its duties will be performed with the necessary independence and objectivity"³¹ recommends that each board should "reach and maintain at least 20 per cent women within a period of three years and at least 40 per cent women within a period of six years".³²

In January 2020, the AFEP and MEDEF issued a revised corporate governance code following the adoption of a new Act in 2018 on "the freedom to choose one's professional future".³³ The code provides new guidelines in relation to having gender balance in company boards and executive management teams and a time-frame for achieving established targets. It offers guidance on reporting back results.³⁴

Internally, MEDEF has also pursued policies and measures to promote gender diversity and it expressed commitment to "walk the talk" by renewing its diversity charter in 2019. Its commitment includes achieving gender parity in the management and governance bodies of its sectoral and regional associations by 2023. In addition, an annual report will be presented to the MEDEF executive council to monitor and track progress of its organization-wide actions.³⁵

²⁸ Attendance fee is paid to directors on board by the corporation as a compensation for attendance at a meeting of the board or a meeting of a committee of the board, whether in-person or not. According to section L225-45 of the French Commercial Code, board members may receive a fixed annual amount of fee. The amount of the fee is not regulated. According to the AFEP-MEDEF code of conduct, the board is responsible for determining their compensation and must provide reasons for its decision. Source: *Getting the Deal Through*, 2019.

²⁹ B. Prat, H. Mueller, Slaughter and May, "Board-Level Gender Quotas in the UK, France and Germany", *News*. (2016, No. 14), https://www.hengeler.com/fileadmin/news/BF_Letter/14_Board-LevelGenderQuotas_2016-08.PDF [accessed 9 Apr. 2020].

³⁰ European Commission, "2019 Report on equality between women and men in the EU," (2019) https://ec.europa.eu/info/sites/info/files/aid_development_cooperation_fundamental_rights/annual_report_ge_2019_en.pdf [accessed 9 Apr. 2020].

³¹ Julie Suk, "Gender parity and state legitimacy: From public office to corporate boards", in *International Journal of Constitutional Law* (2012, Vol. 10, No. 2), pp. 449–464.

³² P. Profeta et al, "Gender quotas on boards across countries", in *Women directors* (2014) pp. 68–100; Poncelet and Hutchison, 2018. Paul Hastings Gender Parity Series.

³³ The Act introduces measures to eliminate the pay gap between women and men in France, including the compensation of executive directors.

³⁴ AFEP-MEDEF, "Code de gouvernement d'entreprise des sociétés cotées", 2020, <https://www.medef.com/fr/content/code-afep-medef-revise-de-gouvernement-dentreprise-des-societes-cotees-janvier-2020> [accessed 9 Apr. 2020].

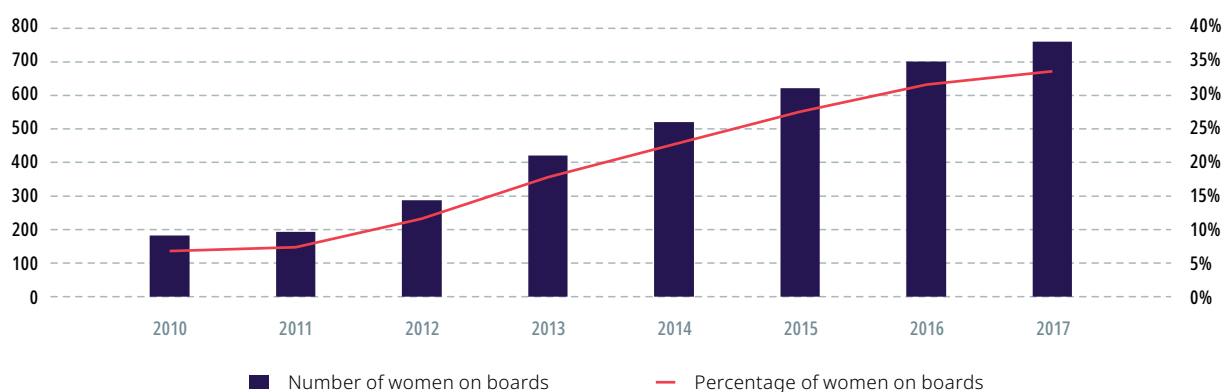
³⁵ MEDEF, "Charte de la mixité", 2019.

Italy

Also passed in 2011, Italy's *Golfo-Mosca Law* requires boards of listed companies and state-owned enterprises to have at least 33 per cent of the under-represented gender. Unlike other countries, the Italian law consists of a time-limited approach, requiring a minimum of one-fifth of board seats for each gender with the first term, and a minimum of one-third starting with the second term. The quota expires within the third term of board appointments.³⁶ In the event of non-compliance, companies are given progressive warning by the Italian Companies and Exchange Commission (CONSOB) and they are subject to fines ranging from EUR 100,000 to EUR 1 million, and future board appointments may be invalidated.³⁷ The three largest Italian employer and business membership organizations – ABI, ANIA and Confindustria (representing banks, insurance companies and manufacturing and services companies) – opposed the rapid application of the gender quota and called for less severe sanctions.³⁸

The CONSOB annual report documents significant increase in the share of female board members since legislating the quota. While in 2010, women's representation was less than 7 per cent of boards in companies listed in Italy, in 2017, women's representation was more than 33 per cent of boardroom seats. In December 2019, Italy announced plans to further increase the threshold to 40 per cent³⁹. Figure 2 shows the gradual increase in female directorships over the years.

Figure 2. Representation of women on boards, Italy, 2010–17



Source: CONSOB, "Boardroom gender diversity and performance of listed companies in Italy", Sep. 2018, <http://www.consob.it/documents/46180/46181/wp87.pdf/d733b58a-44b4-42de-98c7-3c89a82a0182> [accessed 9 Apr. 2020].

³⁶ A. Maida and A. Weber, "Female Leadership and Gender Gap within Firms: Evidence from an Italian Board Reform", IZA Discussion Paper No. 12099, 2019, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3390087 [accessed 9 Apr. 2020].

³⁷ G.S.F. Bruno, A. Ciavarella, and N. Linciano, "Boardroom gender diversity and performance of listed companies in Italy", Commissione Nazionale per le Società e la Borsa, Sep. 2018, <http://www.consob.it/documents/46180/46181/wp87.pdf/d733b58a-44b4-42de-98c7-3c89a82a0182> [accessed 9 Apr. 2020].

³⁸ A. Rigolini and M. Huse, "Women on Board in Italy: The Pressure of Public Policies", in *Gender Diversity in the Boardroom* (Palgrave Macmillan, Cham, 2017) pp. 125–154.

³⁹ "Italy aims to boost quotas for women on corporate boards", *Reuters*, 17 Dec. 2019. <https://www.reuters.com/article/italy-women/italy-aims-to-boost-quotas-for-women-on-corporate-boards-idUSL8N28Q49S> [accessed 9 Apr. 2020].

The “golden skirt” effect has also been studied for Italy. For example, one study finds that between 2013 and 2017, the number of female board seats increased by over 80 per cent while the number of individual women in boards increased by only 51 per cent.⁴⁰ This means that many women occupied more than one board seat.

Following the enactment of the quota law, Confindustria has been advocating for the need to identify and promote competent women. A dedicated register called “Head of the Board” was launched to allow female board candidates to share their curriculum vitae and participate in management courses offered by universities that partner with Confindustria.⁴¹

We cannot waste female talent, ideas and motivations... turning the quota law into an opportunity, we want to give a clear signal that it is not just a matter of rebalancing the representation of gender on boards but cultivating talent by developing a culture of merit, the founding value of every career path.

Confindustria

Source: Confindustria Padova, Donne nei CDA: Veneto fermo al 9,3%. Padova gioca d'anticipo e prepara la “golden list”, 6 May 2012.

Germany

Germany is the largest economy in the world that has enacted gender quotas. In 2015, the gender quota law was passed by applying a 30 per cent statutory quota to the supervisory boards of publicly listed companies and those with workers’ participation in corporate governance.⁴² In addition, companies which are either listed or subject to full co-determination are obliged to set their own targets to increase the share of women on their supervisory boards, management boards, and on the two management levels below the board, which is the “flexi-quota” component of the law. Companies that fail to meet the set quota must appoint a woman when filling vacant board seats or leave them empty, also known as the “empty chair” doctrine. Additionally, failure to meet the quota can cost up to EUR 50,000. Research finds that the proportion of female board members in Germany’s largest listed companies in 2018 reached over 33 per cent, an increase from 26 per cent in 2015.⁴³

⁴⁰ A. Maida and A. Weber, “Female Leadership and Gender Gap within Firms: Evidence from an Italian Board Reform”, IZA Discussion Paper No. 12099, 2019, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3390087 [accessed 9 Apr. 2020].

⁴¹ Da Confindustria Veneto un progetto per sostenere le “quote rosa” nei cda. Mettendo al centro la meritocrazia, *Impresa & Territori*, 10 Sep. 2015, <https://st.ilsolo24ore.com/art/impresa-e-territori/2014-02-18/da-confindustria-veneto-progetto-sostegno-quote-rosa-cda-mettendo-centro-meritocrazia-174301.shtml?uuiid=AB7P7Rx> [accessed 9 Apr. 2020].

⁴² The corporate structure in Germany is regulated by the Stock Corporation Act. It establishes a mandatory two-tier structure with a management board, which serves the executive duties in the firm, and a supervisory board, which holds the functions of control and monitoring. The management board deals with the day-to-day objectives of the firm, whereas supervisory board acts as a check-and-balance of the first board and appoints its members, alongside setting long-term goals and integrating the voices of other firm stakeholders. Germany’s Co-Determination Act requires that half of the appointees of the supervisory board are employee representatives (usually trade union representatives) in all companies with more than 2,000 employees (1,000 employees for the coal and steel industry companies). Source: A. Fedorets, A. Gibert and N. Burow, “Gender Quotas in the Boardroom: New Evidence from Germany”, 2019, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3423868 [accessed 9 Apr. 2020].

⁴³ European Commission, “2019 Report on equality between women and men in the EU”, 2019, https://ec.europa.eu/info/sites/info/files/aid_development_cooperation_fundamental_rights/annual_report_ge_2019_en.pdf [accessed 9 Apr. 2020].

The Confederation of German Employers' Association (BDA) opposed the quota prior to the introduction, indicating that it "interferes with the property rights of owners, disregards industry-specific differences, ignores that professional qualification is the main criterion for a supervisory board appointment and has a negative impact on competitiveness".⁴⁴ The BDA also highlighted that the root cause for the different proportion of women and men in leadership positions should be addressed.⁴⁵ The BDA continues to hold this position today and underscores that a statutory quota is damaging and that it is the wrong path to increasing women's participation in the boardroom.

Beyond Europe

Mandated gender quota laws have also been adopted in countries outside Europe. For example, **Israel** passed the Companies Law in 1999 requiring at least one female director for publicly listed companies. A 2014 report notes that 17.2 per cent women held board positions in the top 100 firms in Israel. In addition, 89 per cent companies had at least one women on the board.⁴⁶

Similar to the "at-least-one" quota in Israel, the 2013 Company Act in **India** required listed companies and other large public limited companies⁴⁷ to appoint at least one woman to their boards by 2015.⁴⁸ Non-compliant companies are met with a fine, ranging from INR 50,000 (approximately US\$790) to INR 142,000 (approximately US\$2,240) by the Securities and Exchange Board of India (SEBI).

Unfortunately, evidence suggests that many companies in India have brought in only one female director to meet the minimum requirement, resulting in gender tokenism on "one-and-done" boards rather than progress toward gender equality. For instance, according to a 2017 research, the average number of female directors in India is just over one per board, and approximately 16 per cent of the 739 Indian companies in 2016 have more than one female.⁴⁹ Furthermore, nearly 25 per cent of female board appointments were known to be family members of the owners in 2017.⁵⁰ As a result, SEBI introduced an additional provision stipulating that the largest 500 firms listed on the National Stock Exchange of India (NSE) have at least one female independent director by April 2019. Approximately 10 per cent of NSE 500 did not comply with this deadline.⁵¹

⁴⁴ BDA: Gender Quota: Right Goal, Wrong Way – Opinion on the Draft Government Bill on "Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector". 28 Jan. 2015, [https://www.arbeitgeber.de/www/arbeitgeber.nsf/res/Stn-Frauenquote.pdf/\\$-file/Stn-Frauenquote.pdf](https://www.arbeitgeber.de/www/arbeitgeber.nsf/res/Stn-Frauenquote.pdf/$-file/Stn-Frauenquote.pdf) [accessed 9 Apr. 2020].

⁴⁵ DW: Germany to close pay gap with transparent wage structures, 10 Dec. 2015. <https://www.dw.com/en/germany-to-close-pay-gap-with-transparent-wage-structures/a-18910554> [accessed 9 Apr. 2020].

⁴⁶ The Israeli Catalyst Report: Women leading business, Mar. 2014. https://www.strauss-group.com/wp-content/blogs.dir/3/files/sites/3/Israel-Catalyst-Census-TLV-100-2013_Final.pdf [accessed 9 Apr. 2020].

⁴⁷ Other public companies having a paid-up share capital of INR 1 billion (100 crore) or more, or turnover of INR 3 billion (300 crore) or more. Source: The Institute of Company Secretaries of India, 2013.

⁴⁸ Deloitte: "Women in the boardroom: A global perspective", 2019, <https://www2.deloitte.com/global/en/pages/risk/articles/women-in-the-boardroom-global-perspective.html> [accessed 9 Apr. 2020].

⁴⁹ "Gender parity on boards around the world, Institutional Shareholder Services", in *Harvard Law School Forum on Corporate Governance*, 5 Jan. 2017, <https://corpgov.law.harvard.edu/2017/01/05/gender-parity-on-boards-around-the-world/> [accessed 9 Apr. 2020].

⁵⁰ "Gender diversity on boards improves, but more grounds need to be covered", in *The Economic Times*, 19 Feb. 2018, <https://economictimes.indiatimes.com/news/company/corporate-trends/gender-diversity-on-boards-improves-but-more-ground-needs-to-be-covered-experts/articleshow/62988324.cms> [accessed 9 Apr. 2020].

⁵¹ "51 companies yet to appoint women independent directors", in *Times of India*, 9 Apr. 2019, <https://timesofindia.indiatimes.com/business/india-business/51-cos-yet-to-appoint-women-independent-directors/articleshow/68785664.cms> [accessed 9 Apr. 2020].

Findings

Overall, no two countries have taken the same approach to address the under-representation of women on boards. The results achieved in some countries with mandated quotas show that legislation, fines and other sanctions can be effective in rapidly bringing more women to the table. Nevertheless, countries that have chosen the voluntary path have also proven that concrete progress can be achieved by stimulating bottom-up, company initiatives.

Regardless of the route taken, employers and business membership organizations play a critical role in engaging with the government and its members when legislative and voluntary approaches are drafted. It is important for business representatives to engage in debates on quotas and voluntary targets, have foresight, anticipate legislative action, convey company efforts already in place while securing commitments from members to develop a sufficient pipeline of qualified and experienced women to fulfill the demand in company boardrooms and enable the company to benefit from the dividend it brings.

Many employer and business membership organizations are offering services, including pipeline training of potential female board candidates, advocating for improved conditions for women to participate in leadership positions, and revisiting their own internal policy to “walk the talk”. Additional outreach on how best to include more women in decision-making positions through membership surveys, case studies and other evidence-based research would also enable employer and business membership organizations to participate in effective policy advocacy and also accelerate action among its membership.

Overall, employer and business membership organizations have a vital role in creating a competitive environment for women to take on leadership positions and advocating for gender diversity among member companies. They are well-positioned to bridge the gender diversity gap in boards and can inspire more companies to actively seek and reach out to competent and qualified women.

Acknowledgements

The brief was authored by Jae-Hee Chang, Senior Programme and Operations Officer, of the ILO Bureau for Employers' Activities with research assistance from Renling Zhang. The brief received thoughtful contributions from Scott Barklamb, Director of Workplace Relations, Australian Chamber of Commerce and Industry; and Anne Vauchez, Managing Director of European and International Affairs, Movement of the Enterprises of France (MEDEF). We also thank Maria Paz Anzorreguy, Director of ILO Coordination and Akustina Morni, Advisor of the International Organisation of Employers for their review and support.

Contact

ILO Bureau for Employers' Activities (ACT/EMP)
Route des Morillons 4
CH-1211 Geneva 22, Switzerland
Web page: www.ilo.org/employers