

Background information symposium Balancing the Boardroom

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Organised jointly by the Social and Economic Council of the Netherlands (SER) and the Dutch NGO Vrouwen in beeld

1. Introduction

This background document provides some data on the share of women on company boards in the Netherlands and various European countries as well as some information on policy developments in the Netherlands, Norway, Belgium and Spain. It is not meant to be an exhaustive background paper but merely to give some relevant information.

Gender quota are part of a wider set of policy instruments used to achieve equal opportunities, also referred to as affirmation action policies. The annex provides a definition of affirmative action and a brief overview of the different forms it may take. The focus of the symposium was on the use of gender quota in a specific context, namely to increase the number of women on the boards of directors of public limited companies.

2. Women on company boards in the Netherlands

At the request of the Dutch government, the Social and Cultural Planning Office of the Netherlands publishes a bi-annual gender equality monitor (Emancipatiemonitor). This monitor also provides data on the share of women on company boards in the Netherlands.

The data for the 2000-2006 period show that the share of women in the executive boards ('raden van bestuur') of the top 25 companies has increased in the last couple of years, though it remains at a very low level (2-3%). In the top 100, top 500 and top 5000 companies their share has decreased or remained equal. In the boards of directors ('raden van commissarissen') the share of women is somewhat higher (5-8 %) and this share has also increased for all top 5000 firms. As a result, the total share of women on company boards in the Netherlands has also increased slightly for most categories.

Table 1 - Share of women in executive boards (rvb) and boards of directors (rvc) in the Netherlands' largest companies, 2001-2005 (in percentages)

companies	executive boards (rvb)			boards of directors (rvc)			total share of women		
	2001	2003	2005	2001	2003	2005	2001	2003	2005
top 25	0	0,9	1,8	7,9	7	8,7	4,6	4,5	5,6
top 100	1,9	3,3	3,1	7,4	6,1	8,5	5,1	4,8	6
top 500	1,8	3	3	5,5	5,2	5,5	3,9	4,1	4,3
top 5000	3,1	3,6	3	3,4	4,1	4,9	3,1	3,8	3,8

Source: Elite Group (2006)

Information has also been obtained through a different survey¹ on the share of women in the job levels directly below the company boards. As expected, the percentage of women at these levels is significantly higher than that on the company boards. However, the percentage of women in the second and third level has decreased markedly in the 2004-2006 period, perhaps indicating that there are fewer women 'in the pipeline'. Research that examines women and men in top positions in the Netherlands suggests that more women than men leave top positions prematurely. Insufficient challenge and appreciation, combined with a 'masculine' culture are the most important reasons that women leave their top positions.²

Table 2 - Share of women in top positions in the 250 largest companies in the Netherlands, 2000-2006 (percentages)

	2000	2002	2004	2006
boards of directors (rvc)	4,2	5,6	4,4	7,1
executive boards (rvb)	1,9	5,2	6,5	5,8
first level under executive board	6,2	12	13,1	13,2
second level under executive board	11,9	10,6	22,8	14,6
third level under executive board	25,1	27,5	22,2	19,5

Source: SCP (VIB'00-'06)

3. Women in managerial positions in the Netherlands

In order to get a better idea of the women 'in the pipeline' and the potential pool of candidates for board member positions it is useful to examine the share of women in managerial positions in the Netherlands.

The share of women in the total labour force and in higher educated professions has increased significantly in recent decades. The share of women holding managerial positions still lags behind, though it is much higher in the public sector (which employs more women than men) than in the private sector.

Table 3 - Labour force, share of women in higher educated professions and among managers in the Netherlands, 2005 (in absolute numbers x 1000 and percentages)

	Total		higher educated		managers	
	total (x1000)	share of women (%)	total (x1000)	share of women (%)	total (x1000)	share of women (%)
private sector	4325	31	916	26	54	12
public sector	2339	64	1083	57	63	36
total	6918	42	2088	42	122	24

Source: CBS (Enquête Beroepsbevolking '05)

¹ The data from the Elite Group (Table 1) can not be directly compared to the data from the VIB survey (Table 2). The VIB survey is a survey among the top 250 companies (response=127 companies), the data from the Elite Group are based on the annual reports of all top 5000 companies. Moreover, the data refer to different years.

² Opportunity in Bedrijf (2006), *Nu extra lang houdbaar: hoe vrouwelijk talent binnenboord te houden – nieuw licht op 'regretted losses'*, Amsterdam, oktober 2006.

Another measure of the potential pool of female board member candidates is the share of women in the top earnings deciles in different sectors of the economy (see Table 4). This type of analysis also shows the differences between the sectors in this respect: the share of women in the top earnings decile is the highest in the hotel and restaurants business, in trade, and in the services industry.

Table 4 - Share of women and average hourly wages in the top two earnings deciles, by sector, 2004 (in percentages and euros)

	share of women in top earnings decile (%)	hourly wage in top earnings decile (€)	share of women in second-highest earnings decile (%)	hourly wage in second-highest earnings decile (€)
agriculture and fisheries	15	23,09	18	17,58
mining and quarrying	4	45,96	6	36,77
manufacturing	12	28,27	12	22,61
electricity, gas, water supply	6	33,58	8	28,58
construction	5	26,05	5	21,80
trade	23	24,56	26	18,62
hotels and restaurants	44	18,00	45	14,49
transport and communications	14	26,40	15	21,00
financial intermediation	14	36,47	17	29,07
services industry	20	30,43	25	23,43
public administration	20	31,42	25	25,92
education	23	30,76	37	26,07
health and social work	56	25,30	72	21,06
culture and other services	35	29,13	41	22,75

Source: CBS (Enquête werkgelegenheid en lonen '04)

4. The European picture

There are few comparable statistics on the share of women on boards of directors in different European countries. Eurostat maintains data on the share of women in higher managerial positions in different EU countries, but they use a wide definition which does not specify the share of women on company boards.

The European Professional Women's Network publishes a bi-annual report monitoring the number of women on Europe's top company boards. Due to the relatively small sample size³ the results should be interpreted with some caution. Nevertheless, the report illustrates the main trends in Europe.

Scandinavian countries clearly have the lead, followed by the United Kingdom, Germany and France. The figures for the Netherlands are well below the European

³ The EPWN report uses data from the 300 largest companies in Europe by market capitalisation and is sorted based on the worldwide headquarters' home-country. For those countries that have less than 10 companies included in the 'top 300' list the next largest companies have been added.

average, and the percentage of women on boards has fallen slightly from 2004 (from 7% to 6.5%). Most of the female directors in the Netherlands (71% according to the EPWN survey) had a foreign nationality. In several European countries (France, Germany) a significant number of the female board members are labour union appointees.

Women are very rarely the chair of a company board: of the 385 board positions occupied by women, only 4 were described as being chair of the board and only 3 were CEOs.

Share of companies with women on board, share of women on boards and the average number of women on boards in Europe and the United States, 2005-2006

Country	% companies with women on board	% women on board	average number women on board
Norway	100	28.8	3.0
Sweden	100	22.8	3.7
Finland	100	20.0	2.2
Denmark	100	17.9	2.5
UK	86	11.4	1.4
Rep of Ireland	60	8.1	1.0
Germany	72	7.2	1.7
France	75	7.6	1.2
Austria	50	9.5	1.8
The Netherlands	50	6.5	0.8
Greece	57	4.4	0.6
Spain	48	4.1	0.6
Belgium	43	5.8	1.0
Italy	22	1.9	0.3
Portugal	0	0	0
European average	68	8.5	Na
United States	90	14.7	Na

Sources: EuropeanPWN BoardWomen Monitor 2006 (data March 2006) and Catalyst (data on Fortune 500 corporate boards in the United States, data from 2005)

The EPWN statistics probably overstate the current situation for women in the private sector in most countries since the top companies are generally not representative of the average firm with respect to the share of women on company boards.

5. Policy developments in the Netherlands

Increasing the number of women in top decision-making positions has been stated as a government priority in the Netherlands since the first policy document on gender equality in 1976/1977. Initially the focus was on decision-making positions in politics and public administration but during the 1980s it was expanded to include the private sector.⁴

⁴ Luijn, H. van, 'Meer vrouwen aan de top: effecten van maatregelen om het aandeel vrouwen in topfuncties te vergroten' in W. Portegijs, A. Boelens en L. Olsthoorn (2004), *Emancipatiemonitor 2004*, Den Haag, Sociaal en Cultureel Planbureau (SCP) en Centraal Bureau voor de Statistiek (CBS).

The last Dutch multi-year gender equality policy plan 2006-2010 (meerjarenbeleidsplan emancipatie 2006-2010) included several objectives on the share of women in decision-making positions, specified for different sectors and public bodies.

The objective for the private sector is to reach a share of women on company boards (boards of directors and executive boards combined) of twenty percent by 2010 (currently 6 percent). This objective was reconfirmed in the new gender equality policy document for 2008-2011 recently issued by the new cabinet and replacing the multi-year gender equality policy plan.⁵

The cabinet hopes to reach this goal through a number of initiatives. The ministries of Education, Culture and Science⁶ and Economic Affairs are subsidising the so-called glass ceiling ambassadors network (Ambassadeursnetwerk Glazen Plafond) until 2009. The current network is the fifth in a row – each network lasts for a year and consists of 15-20 corporate leaders who promote the number of women in top positions in the private sector within their own company and to external parties. The current network is to develop a ‘Diversity & Inclusion code’ with instruments to increase the share of women in top positions. This code will include a link to the Glass Ceiling Index, a benchmark instrument for companies developed by the Ministry of Education, Culture and Science. The ‘TopBrainstorm’ held on October 30th 2007 is supposed to be the start of a ‘structural diversity policy’ to increase the share of women in top positions.

The Netherlands Monitoring Committee Corporate Governance Code (Cie Frijns) is currently undertaking research on the diversity in Dutch executive boards and its influence on board performance. In December 2007 the Committee will present its findings and recommendations regarding the role of diversity in the Corporate Governance Code. The Corporate Social Responsibility benchmark will be expanded to include a criterion on the share of women in top positions.

In the past, the government has subsidised the set-up of Opportunity in Bedrijf, an organisation that helps companies develop and implement policies to promote the number of women in top positions in their company.⁷ It also subsidised the ‘Mixed’⁸ project with a similar purpose and supports research in this policy area.

6. Policy developments in Norway

Since January 1st, 2006 public limited companies in Norway are obliged by law to ensure that both men and women are represented on their company boards, each with a minimum share of 40 percent. Since most of the current board members are male this means that the boards have to increase their share of female board members. Failure to

⁵ TK 2007/2008, Meer kansen voor vrouwen – Emancipatiebeleid 2008-2011. Other objectives relating to the share of women in decision-making positions are the announcement that in the new nominations for members of advisory bodies the cabinet will nominate women half the time. The objective for the national government (ministries) is to have 25 percent women in top management positions by 2011. The objective for the share of female professors is 15 percent by 2010.

⁶ In the Netherlands, the directorate for gender equality is part of the Ministry of Education, Science and Culture.

⁷ Please see www.opportunity.nl for more details.

⁸ Please see www.mixed-equal.nl for more details.

meet these gender quota will result in court-ordered dissolution of the company – the same sanction as when companies fail to fulfil other legal requirements.

Existing companies have until January 1st, 2008 to reach the gender quota. New companies wishing to register at the Norwegian Chamber of Commerce must meet the gender quota at first registration.⁹ Since the gender quota legislation came into force (January 1st, 2006) the share of companies that meet the quota has increased from 18 to 73 percent, and the average share of female board members in public limited companies has reached 33 per cent (data November 2007)¹⁰.

The gender quota legislation was initiated in 2002 by a centre-right wing government and was passed by a large majority in parliament. The Minister for Trade and Industry at the time (Gabrielsen), a corporate leader from the Conservative party (Høyre) announced that he ‘was so sick and tired of male dominance in the corporate boards’ that he might well consider enforcing gender quota legislation.¹¹ He met a lot of resistance within his own party, but received support from the Christian Democrats (KrF). The Minister of Family and Children’s Affairs from that party prepared a parliamentary bill, consisting of the following measures:

- the obligation for state-owned companies to ensure a minimum share of 40 percent women on their boards by January 1st, 2004
- similar legislation for public limited companies if they do not reach a 40/60 gender balance voluntarily by July 1st, 2005
- an invitation to the social partners to reach an agreement to increase the share of female board members in public limited companies to 40 percent, with the understanding that the gender quota legislation would be withdrawn if the gender balance was reached.¹²

In July 2005 it was clear that the public limited companies had not reached a gender balance on their company boards. According to the Corporate Center for Diversity (CCD) half of the 474 public limited companies did not have a single women on their newly appointed board.¹³ This meant the legislation adopted in 2003 was enforced, giving the companies until January 1st, 2008 to reach the gender quota before sanctions are applied.

The gender quota have to be applied separately to the members chosen by the employees and the members chosen by the shareholders.¹⁴ An exception is made for

⁹ Information on Norway on EIROOnline (European Industrial Relations Observatory on-line, part of the European Foundation for the Improvement of Living and Working Conditions), available at <http://www.eurofound.europa.eu/eiro/>

¹⁰ AFX New Limited, Norway co making good progress towards gender equality in the boardroom – CCD, Forbes.com, 13-11-2007.

¹¹ Verdens Gang, 27-02-02, quoted in van der Ros, J. and I. Guldvik, Discursive Strategies in Gender Quota Debates in Corporate Norway: Per Gyntian strategies? (Draft) paper prepared for the ECPR workshop Deconstructing Nordic Discourses on Gender Equality. Budapest, September 10, 2005.

¹² Information on Norway on EIROOnline.

¹³ van der Ros, J. and I. Guldvik, Discursive Strategies in Gender Quota Debates in Corporate Norway: Per Gyntian strategies? (Draft) paper prepared for the ECPR workshop Deconstructing Nordic Discourses on Gender Equality. Budapest, September 10, 2005.

¹⁴ In Norwegian companies with over 50 employees, the employees have the right to nominate one third of the board members.

employee elected board members in highly segregated sectors, where the share of one of the sexes is less than twenty percent of the employees. The law prescribed the exact number of men and women required for different board sizes.¹⁵

Companies that do not meet the gender quota will receive several warnings before any sanctions are imposed. The court can also decide not to dissolve the company if dissolution would harm the public interest. In that case, the company will have to pay a fine. Dissolution of companies that do not meet legal requirements is rare. Usually, the companies quickly amend the situation when they receive an official warning.¹⁶

The public debate about gender quota for company boards has been going on in Norway since the middle of the 1990s. In 1999 and 2001 the Ministry of Children and Family Affairs asked the social partners for advice on proposals to introduce gender quota for company boards in the private sector. The employer organisations opposed these proposals as they see gender quota as an infringement of the right of company owners/shareholders to elect their own board members. They also argued that there were not enough qualified female candidates and that a gender quota system would harm the international competitiveness of Norwegian businesses.¹⁷ Other disadvantages mentioned by opponents of the gender quota include tokenism, the wrong signal from the government (effectively saying women are not qualified enough to get on company boards by themselves), concentration of board positions among a few qualified women, lack of the required change in culture/mentality, current board members must be fired in order to meet the quota, and limited reach since the quota do not apply to other levels of management.¹⁸

The unions supported the proposals because there had not been any significant progress in the share of women on company boards in the absence of legislation. They also pointed out that there were several databases with sufficient capable, well-qualified female board member candidates that could fill the openings created by gender quota. Other advantages mentioned by proponents of the gender quota include the acceleration in reaching a gender balance, media attention and women getting an opportunity to prove themselves.¹⁹

Since 1988 Norway employs gender quota for positions on public committees and councils – at the national and at the local level. A number of political parties also employ gender quota for their lists of candidates for elections and their boards. The first party to do so was the social-democratic party in 1983.

¹⁵ In case of two or three board members there is a minimum of one woman and one man, in case of four or five board members there is a minimum of two women and two men, in case of six to eight board members there is a minimum of three women and three men, in case of nine board members a minimum of four women and four men and in cases of more than nine board members a minimum of forty percent women and forty percent men.

¹⁶ K. Jacobs, E. Koning, F. Tack en J. van de Wiel (2007), *Noorse vrouwen aan de top – een verkennende studie naar het 40% quotum in Noorwegen*, Den Haag, Ministerie van Sociale Zaken en Werkgelegenheid.

¹⁷ Information on Norway on EIROOnline.

¹⁸ K. Jacobs, E. Koning, F. Tack en J. van de Wiel (2007), *Noorse vrouwen aan de top – een verkennende studie naar het 40% quotum in Noorwegen*, Den Haag, Ministerie van Sociale Zaken en Werkgelegenheid.

¹⁹ Idem.

The government generally plays a strong role in the economy: in addition to strong regulation the Norwegian government also holds a majority share in the largest oil company and significant minority share in many other large companies. The Norwegian economy is a relatively closed economy. The labour market in Norway is very tight and the unemployment rate is around one percent. Around 40-45 % of women work part-time.²⁰

In response to the gender quota bill the largest employer organisation in Norway (Confederation of Norwegian Business and Industry, NHO) initiated the 'Female future' programme. This programme focuses on recognising and training female talent for board member positions not only in public limited companies (to which the gender quota legislation applies) but also for private limited companies (mostly family-owned businesses). In these private companies the share of female board members has increased from 7 to 23 percent since the start of the Female Future programme in 2003²¹.

7. Policy developments in Spain

On March 15th, 2007 the Spanish parliament passed a new gender equality law. Companies with more than 250 employees have to develop equality plans to promote equal opportunities within the company. Companies obliged to present unabridged financial statements of income must endeavour to have a forty percent share of women on their boards of directors (single-tier system) within eight years. The law does not specify if there are any sanctions associated with failing to reach this objective. The Central Government and its associated or subordinate public bodies will observe the principle of balanced presence in their appointments to boards of directors of companies in which the State has a holding.²²

In 2005 female board members had a share of three percent in the boards of the Ibex 35 companies (index of the Spanish stock exchange).²³ The CES - Consejo Económico y Social de España (the Spanish equivalent of the Social and Economic Council) has protested against the gender quota in the new law.

8. Policy developments in Belgium

In October 2006 the Parti Socialiste (the French-speaking Social-democratic party) introduced a bill in the federal parliament to guarantee a thirty percent share of women on the boards of directors of state-owned companies, companies listed on the Belgian stock exchange and limited partnership companies.²⁴

²⁰ Idem.

²¹ Information from Arni Hole, Director General, Department of Family Affairs and Gender Equality of the Norwegian Ministry of Children and Equality.

²² Ministerio de Trabajo y Asuntos Sociales, <http://www.mtas.es> and Instituto de la Mujer, <http://www.mtas.es/mujer/index.html>

²³ International Herald Tribune Europe, May 5th 2006.

²⁴ Wetsvoorstel van 19 oktober 2006 van de Belgische Kamer van Volksvertegenwoordigers, DOC 51 2714/001.

This bill led to significant tension within the Belgian government, especially between the Parti Socialiste and the Mouvement Réformateur (the French-speaking Liberal Party). The bill has subsequently been withdrawn.

The bill was also opposed by the federal employers organisation (VBO/FEB).²⁵ However, the Belgian Council for Equal Opportunities (in which the social partners are also represented) has advised that gender quota be introduced for the boards of directors of companies listed on the Belgian stock exchange.²⁶

²⁵ Verbond van Belgische Ondernemingen (VBO), InforVBO – Nieuwsbrief voor decision makers, 19 april 2007.

²⁶ Raad van de Gelijke Kansen voor Mannen en Vrouwen, Advies nr. 108 van het Bureau voor de Raad voor de Gelijke Kansen voor Mannen en Vrouwen met betrekking tot quota in raden van bestuur.

Annex

Affirmative action

Affirmative action means different things to different people. It is a concept without a generally accepted legal definition. A generally-accepted working definition of the concept is the following (used by Marc Bossuyt, special rapporteur to the UN Commission on Human Rights):

‘Affirmative action is a coherent packet of measures, of a temporary character, aimed specifically at correcting the position of members of a target group in one or more aspects of their social life, in order to obtain effective equality.’²⁷

Other terms used for affirmative action include positive action, preferential policies, reservations, compensatory or distributive justice and preferential treatment. Bossuyt distinguishes two broad categories of affirmative action, namely affirmative mobilisation or affirmative fairness and affirmative preference.

Affirmative mobilisation includes measures such as recruitment efforts for targeted groups such as awareness raising, job training, out-reach and other skill-building or empowerment programmes. Affirmative fairness refers to measures such as establishing effective grievance procedures to handle allegations of discrimination, review procedures to double-check personnel actions, and examination of practices in order to eliminate non-intentional discriminatory practices.

Affirmative preference means that someone’s gender or race will be taken into account in the granting or withholding of social goods. A ‘mild’ form of affirmative preference is to give preference to a candidate from a target group when two candidates are equally qualified for the social good in question (a job, promotion, grant, university place, etc.). More radical forms of affirmative preference includes giving preference to a ‘sufficiently qualified’ target group candidate, race-norming (giving members of target groups additional points in competitive examinations), and imposing quota or reservations that fix that proportions of social goods the designated groups must receive.²⁸ The more radical forms of affirmative action are also the most controversial.

Quota have been used in many countries for different target groups (women, ethnic minorities, disabled persons) and in several different fields (politics, education (college admissions), and employment). The contexts in which quota are applied can thus differ widely, with corresponding consequences for the effectiveness of the measure.

²⁷ United Nations, Economic and Social Council, Commission on Human Rights (2002), *Prevention of discrimination – the concept and practice of affirmative action*. Final report submitted by Mr. Marc Bossuyt, Special Rapporteur, in accordance with Sub-Commission resolution 1998/5, document nr. E/CN.4/Sub.2/2002/21, 17 June 2002.

²⁸ Idem.

Quota for women have mostly been applied in the area of politics²⁹ and, to a lesser extent, in the field of employment. To our knowledge Norway and Spain are the only countries in the world that apply quota to increase the share of women on company boards.

Comparative research on the effectiveness and efficiency effects of different forms of affirmative action is scarce. For a review of the literature on affirmative action in the United States please refer to Holzer and Neumark (2000).³⁰

Affirmative action ('voorkeursbeleid') in the Netherlands

In 2005 the Dutch government reconfirmed its commitment to allowing the use of affirmative action for women, ethnic minorities and the disabled. However, in view of several rulings of the European Court of Justice and the implementation of several European directives the government has restricted this use to two 'light' forms of affirmative action, namely recruitment efforts to reach the targeted group (affirmative mobilisation) and giving preference to a candidate from a target group when two candidates are equally qualified. Two more radical forms of affirmative action, namely giving preference to a 'sufficiently qualified' target group candidate and (temporary) exclusive recruitment and selection within the targeted group or reserving openings for target group candidates are no longer allowed.³¹

²⁹ For a database of the use of gender quota in politics, please see www.quotaproject.org

³⁰ Holzer, H. and D. Neumark (2000), Assessing Affirmative Action, *Journal of Economic Literature*, Vol. XXXVIII (September 2000), pp. 483-568.

³¹ TK 2004/2005, Wijziging van de Algemene wet gelijke behandeling en enkele andere wetten ter uitvoering van richtlijn nr. 2000/43/EG en richtlijn nr. 2000/78/EG (EG-implementatiewet Awgb) (Nota voorkeursbehandeling), Tweede Kamer, 24 mei 2005, 28770, nr. 11.