

BY MARY HONEYBALL, MEMBER OF EUROPEAN PARLIAMENT

40%

An insider perspective on what Europe is doing to gain gender parity and how this could affect business in North America

THE

QUOTA

Governments across the western world and certainly in Europe have for some time floundered on the question of achieving gender equality on company boards.

The issue was high on the agenda of the European Parliament at the end of 2012. The British Government was at a loss to know what to do. But last November, the European Union Commissioner for Justice, Viviane Reding from Luxembourg, came up with a radical solution. She took inspiration from Norway, which has near gender parity in senior board positions.



Norway's approach to women on boards has been groundbreaking. It was the first country to introduce a quota system, in 2003, stating that the number of women on company boards had to reach 40% as a requirement by law. At that time, other European countries almost certainly shrugged this initiative off, likely believing it to be another Scandinavian initiative, which though progressive, didn't fit with other western European models.

Since then, the Norwegian experience has sparked fierce debate and the 'Norwegian model' has been embraced

by many of those in Europe who have sought a solution to improve opportunities for women who seek positions on company boards. Observers of the Norwegian initiative suggested its success was largely due to sanctions. They were tough; extending to the dissolution of non-compliant companies.

Norway, which initially planned not to impose penalties, did eventually introduce them and companies were then given four years to implement a program to reach the 40 per cent quota for women on their boards. While the Norwegian model was revered as a great success, and 40 per cent of board members were female by 2009, some matters remain: just two per cent of the CEOs of companies listed on the Oslo Stock exchange (for example) are women, and the entire process has been somewhat laborious, taking 10 years to reach any real sense of fairness.

Yet it was to Norway that Commissioner Reding turned when she launched ambitious and controversial plans to introduce European-wide legislation that would see mandatory quotas for women on boards. In the face of much criticism, Mrs Reding produced a draft EU Directive to ensure that there will be at least 40 per cent women non-executive directors on the boards of big listed companies by 2020. Her original proposal fell into jeopardy in October 2012 when negotiations with colleagues faltered and EU lawyers warned that compulsory quotas may not be enforceable.

However, by November last year the proposals were accepted and set out a 40% "objective," with sanctions against companies flouting the rules. The EU proposals stipulate companies must have clear, gender-neutral criteria for

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– BETSY MYERS, FOUNDING DIRECTOR OF THE CENTER FOR WOMEN & BUSINESS AT BENTLEY UNIVERSITY

choosing non-executive directors. In addition, if candidates are found to be equally qualified, then preference should be given to women. During an interview following Mrs Reding's success she explained: "Nobody believed there would ever be a European law on the table; everybody believed it would be a complete failure." Regarding suggestions the proposals were watered down, she responded: "I do not know where the watered down idea came from because it's the first legal text that has ever been on the table. There has never been anything like this before; the sanctions texts are there in the text. So any country which puts the directive into national law has to foresee efficient sanctions and companies which do not apply the law can be forced into doing so." Mrs Reding also rightly asserted that having women on boards mustn't be seen as some form of punishment, instead business should embrace it and enjoy the benefits it brings. For example, having women on boards is good for business as women tend to ask questions. They are more cautious so fewer errors are made.

The benefits of having a balanced board with a healthy number of women on are well documented. In 2011 Lord Davies, a former top UK banker and

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who was chairman of Standard Chartered PLC, was commissioned to research the issue of women on boards. His findings were used by the British Government to encourage British businesses to appoint more women to boards. He found that a board with greater diversity delivers better performance as it introduces fresh ideas and new perspectives. In Britain, Government ministers, while opposing mandatory targets, believe a board with better balance can only be a good thing for business. The Business Secretary, Vince Cable said in a speech: “Well-balanced boards with broader experience introduce fresh perspectives and new ideas, which help improve performance and boost productivity.”

By 2012, Lord Davies published his first annual update to his original pioneering review in 2011, in which he said the signs were encouraging. As of the end of February 2012, women now account for 15.6% of all directorships – up from 12.5% – and 47 female appointments have been made since publication of the report.

I have advocated for some time that we need a form of government intervention in the UK to help meet ambitious targets of 40 per cent women on company boards. I believe that legislative intervention relating to quotas for women on boards is a necessary step; quotas will not be required indefinitely but are an immediate measure to address the issue effectively.

The reality is that women perform just as well as men at university and also in the early part of their careers, yet something happens, perhaps a career break for having children, which puts women out of sight. They then don't progress to the very senior positions they are so capable of being part of. Mandatory quotas are not a way of appointing token women in order to meet the requirements of a piece of legislation but will ensure that capable women feel encouraged and supported

when applying for such positions.

Baroness Thornton of Manningham, Labour's shadow spokesperson for equalities and women, believes that it isn't just about quotas, but a shift is required in people's thinking, and above all, support must be offered to women. She has previously attacked the Coalition Government's approach to quotas, and especially the position of the then newly appointed Culture Secretary and Minister for Women and Equalities, Maria Miller. During a debate in the House of Lords in November 2012 she said: “A lack of women on boards is a waste of talent and potential. It is a shame that [Minister Miller] chose to attack the Labour Party as being obsessed with quotas [instead] of celebrating successes achieved.”

Baroness Thornton refers to a speech Minister Miller gave that November regarding Viviane Reding's quota campaign: “The way to do this is not through special treatment or regulation

like the European commission's quotas idea, which patronizes women and undermines the business case. It is about removing the barriers to achieving goals, so that women are supported all the way from the shopfloor to the boardroom.”

The Baroness went on to suggest that there was disarray in the British Government with the Prime Minister and his Equalities Minister, Miller, unable to pursue a consistent line. Baroness Thornton said: “Earlier this year, the Prime Minister said that he did not rule out going further and using quotas as a way to get women into top executive jobs. This weekend, we saw the Minister for Women and Equalities say that that was absolutely out of the question.”

“You shouldn't turn your face against quotas,” said Baroness Thornton when asked how the EU initiatives could affect North American businesses. “It's important to have an acceptable

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Mary Honeyball, MEP, with Global Win delegation in the chamber of the European Parliament

target to work towards.” She explained that setting targets for women on company boards isn’t the only thing we need to concentrate on and that it isn’t as simple as saying ‘we need quotas for more women on boards’. But we should also be concerned with “addressing pipeline and practical issues offering practical help.”

However, other women are extremely uncomfortable supporting women through a quota system. The MEP Marina Yannakoudakis, the UK Conservative Party’s spokesperson on Women’s Rights and Gender Equality in the European Parliament, said: “We need to look very carefully at the new EU plans [and] fight any burdensome regulation which will increase red tape and increase the danger of capital flight from the EU.” Women have no desire to be condescended to. “Our ultimate aspiration should be for fair and meritocratic appointments.”

At the 2010 Women of Influence Advancement Summit: Women on Boards, when asked if legislature is necessary to see more Canadian women on boards, Carol Stephenson, Dean of the Richard Ivey School of Business at Western University in London, Ontario, said: “I don’t agree with the legislation approach. And the reason is, I don’t think women want it because people tend to say ‘Well, she is there because it is legislation and therefore that is how she got the job’. As opposed to the fabulous qualities and value [women] add to boards. I see this legislation as something that is not going to advance women. Actually, I think women are going to be forcefully against it.”

Meanwhile, in the United States, there is similar sentiment. “Unfortunately, the word quota brings with it some negative connotations of opportunities for the unqualified,” said Betsy Myers, Founding Director of the Center for Women & Business at Bentley University. Myers, former Deputy Assistant to past President Bill Clinton, where she launched and was the first

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Director of the White House Office for Women’s Initiatives and Outreach, does admit that quotas are a strategy for defining measurable success in an area of historic inequality, but stresses that: “The key factor in making significant change around gender equality in any country or organization is a clear commitment from the top. Good intentions are only that. It is when good intentions are combined with a focused and measurable strategy that balanced representation across our boardrooms, C-suite positions and senior government posts can become a reality.”

In December 2009, the U.S. Securities, Exchange Commission (SEC) approved a rule that requires companies to disclose if and for how long nominating committees have considered diversity in identifying nominees for director. If there is a rule, then this policy must be disclosed and how the board of the company assesses the effectiveness of such a policy is measured and assessed. The interesting point about the model of the United States is that the SEC rule does not define what diversity is, rather each company is allowed to define the term as it sees fit.

In Canada, where women represent just 11 per cent of board members on companies listed on the S&P/TSX composite index, the federal government announced the creation of an advisory council of leaders from the private

and public sectors to promote the participation of women on corporate boards, which work with the private sector. “Increasing opportunities for women to serve on corporate boards makes good business sense for Canadian women and for Canada’s economy,” said Rona Ambrose, Minister of Public Works and Government Services and Minister for Status of Women. “The role of the advisory council will be to advise our government on how industry can increase women’s representation on corporate boards.”

Canada needs to stay competitive in a global economy, said Alex Johnston, Executive Director of Catalyst Canada. “Currently, we are falling behind as other countries are moving ahead in leveraging their talent and increasing the number of women on boards. Regardless of how they are getting there – through quotas or voluntary initiatives like the Catalyst Accord, pushing companies to set targets – it is great that steps are being taken to advance women into top leadership.”

There is no single model for getting more women on company boards; some countries have adopted legislative measures while others prefer a less coercive approach. Yet despite its vehement response on either side of the quota argument, the issue of better representation of women is now firmly on the global agenda. It was hardly even discussed a few years ago, except in Norway – of course. ♦

Mary Honeyball is a Member of the European Parliament and the spokesperson in the European Parliament on gender and equality for the UK Labour Party. She is a member of the European Parliament Committee on Culture and Education and Committee on Women’s Rights and Gender Equality, as well as a substitute member on the European Parliament Delegation for Relations with Canada. Read her blog at thehoneyballbuzz.com.