



## ETUC Position

### Time to overcome gender imbalance in corporate boards in the EU

adopted at the Executive Committee of 5-6 June 2012

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#### The ETUC position

At the last Athens Congress the ETUC committed itself to place the gender dimension high on its agenda, by pursuing the objectives set in the Gender Mainstreaming Charter adopted at the Congress in Seville and by adopting adequate measures to tackle remaining gender inequalities in the labour market.

ETUC's fight to stand against women underrepresentation and discrimination in the labour market and in society has a long history. ETUC adopted several positions to enhance women's participation in decision-making structures and processes and an exhaustive summary of these is contained in the ETUC Resolution "Recommendations for improving gender balance in trade unions" adopted by the Executive Committee on 9 March 2011.

The resolution reaffirms that *"Equality between women and men is a founding principle of the European Union and a long standing commitment of the ETUC. A balanced participation by women and men in society's major political and economic decisions is a key element to developing real democracy and it has also proved to be an essential factor contributing to economic growth"*.

In 2005, the ETUC negotiated a framework of actions on gender equality in the context of the European Social Dialogue. In this instrument, we recognized, together with the employers, that the lack of women in decision-making positions was one of the four priorities<sup>1</sup> that the social partners had to tackle in order to advance gender equality at the work place.

In the final evaluation report of the Framework of Actions adopted in November 2009, we jointly affirmed that *"achieving an increase in the proportion of women in decision-making positions is an objective shared by social partners, who regard the promotion of women into senior and managerial positions as an investment for a more productive and stimulating working environment and for a better economic performance"*. In the same document is also stated that *"the underrepresentation of women in decision-making positions in economic and political domains was addressed as a concern by several of the contributions reported by the national social partners"*.

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<sup>1</sup> The other three priorities are: addressing gender stereotypes, the gender pay gap and reconciliation of work, family and private life

The ETUC has also put in place different actions and recommendations to strengthen gender balance in collective bargaining teams. ETUC is strongly convinced that the involvement of women and men at all levels of collective bargaining as well as in workers' representation structures is a basic value of the trade union movement and it enables new perspectives to be integrated into the bargaining agenda, by drawing on female trade unionists' experiences, opinions, knowledge and skills.

In ETUC's response to the consultation on the Green Paper on an EU Framework for Corporate Governance we affirmed that *“voluntary approaches have not proven to be very successful in the past. Therefore, introducing binding measures should be considered if companies do not improve the gender balance on boards”*.

The issue of enhancing gender equality in company boards should therefore be considered in the light of mainstreaming ETUC policies with regard to gender and non-discrimination.

ETUC believes that gender equality and diversity in the boardroom of companies is a key democratic principle with positive economic side-effects. The principle of gender equality should be however been kept separate from that of diversity: women are neither a group nor a minority, but one of the two forms of human being and more than half of the world's population not to mention 45% of the European workforce. Therefore, the balanced participation of women and men in decision making bodies is not only merely a question of diversity, but an essential imperative of the fundamental principles of democracy and human rights, as enshrined in the EU Treaties and the Charter of Fundamental Rights.

Women's talents are currently being underutilized at decision-making levels, in particular at top level. Change is necessary in many instances, and especially in the corporate world to strengthen Europe's competitiveness, combat the current economic crisis and create a sustainable future in which all talents are used to the full and all voices are heard in decisions shaping Europe's future.

To date countless voluntary-based initiatives have been taken to create awareness and increase pressure on companies to improve women's access to the decision-making power in the corporate world. However, progress has been extremely slow as the most recent figures published by the European Commission and the Parliament illustrate. More action and binding measures are needed to reach gender balance in economic decision-making positions.

EU latest initiatives in this regard, have led to some European countries to start discussion or to adopt binding measures to ensure gender equality in company boards. Nevertheless, in order to ensure a consistent approach and the same level of women's representation throughout the member states the ETUC believes that a EU level instrument is needed.

In ETUC's view one of the most effective ways to ensure a better gender balance on boards is the introduction of binding measures, with clear targets, deadlines and sanctions. These measures provide a strong incentive to the corporate world to introduce targeted actions, not only in order to meet legal requirements, but furthermore to ensure the efficiency and sustainability of their decision-making structures.

In order to be consistent with previous statements in this field, the ETUC believes that the principle stated in the ETUC Action plan adopted at the Congress in Athens should apply to gender equality in company boards. This principle indicates that "*each gender should be represented between 40% and 60% in decision-making structures*". This quota should apply to publicly-listed and non-listed companies and to both executive and non executive board members.

In principle, the EU initiative should apply to all companies since equal opportunities should be ensured to every working women and men. At first larger companies, both listed and non listed, should be tackled by the EU while a transitory period could be established for medium-sized enterprises that have to set up a board according to national company law.

Attention should be given to the different national legal systems differentiating between one- and two-tier bodies of companies. As board members' terms might differ from country to country a sufficient transition period should be foreseen and the target should be reached by 2020. Noncompliance with quota requirements should be accompanied by a monitoring system and by sanctions that are consistent with national company law.

Quotas should, however, not disregard formal and substantive qualifications and not lead to indirect discrimination against women.

Quotas should not also be seen as a goal in itself or a permanent instrument. The EU should therefore regularly review the implementation of any measure adopted in this regard and consider the withdrawal of the quota at a certain moment once the target has been reached and permanently established in all member states.

The ETUC believes that effective, dissuasive and appropriate sanctions should be introduced for those companies not complying with legislation. Sanctions should comprise a multifaceted approach, starting with mild dissuasive measures (ie warnings, progressive monetary sanctions, etc.) towards harsher actions culminating in the forfeiture of the offices of elected members of the board in cases of non compliance.

Different steps could be foreseen and the Commission should take as a basis successful practices that already exist in countries where quotas and sanctions have been introduced (such as France, Belgium and Italy).

Next to sanctions, the EU initiative could also foresee incentives. For example, companies that meet the target and apply gender equality policies may be favoured in public procurement.

The ETUC is also convinced that public awareness on the social and economic advantages of an enhanced presence of women in decision making positions should continue to be promoted.

ETUC finally considers that policies addressing the current obstacles for women to reach top positions, such as measures to reconcile work, family and private life for both women and men, fighting gender stereotypes in education and in the labour market, and engaging men in the debate should also continue to be promoted and adequate measures should be put in place.

Social partners have a clear responsibility to ensure that the company's overall working environment supports a more balanced participation of women and men in decision making.

A monitoring and measuring system at EU and country level should be established, involving social partners and tracking progress and signaling effective approaches for further dissemination. Regular data collection, reporting and publication of results in order to increase pressure on boards to make changes should be undertaken.

### **ETUC further considerations on the need to re-boost the EU gender equality agenda**

In ETUC's view the issue of women's underrepresentation in economic decision-making should be addressed within the wider framework of tackling discriminations between women and men in the labour market and society.

The low rate of representation of women on boards can be explained by persistent unequal access to economic, social and cultural resources between women and men, by inequalities in the share of paid and unpaid work, by the persistent undervaluation of women's work.

Such factors are major reasons for women's attainment of fewer high posts than men despite representing the majority of university graduates. In this perspective, in addition to strategies and legislation concerning gender equality in employment, care leave measures and services need to be improved for women and men.

The ETUC therefore calls upon the EU to promote policy initiatives in order to fight effectively against a number of other discriminations that women still experience in the labour market.

In replying to the consultation on the follow-up strategy to the Roadmap for equality between women and men 2006-2010 the ETUC made concrete proposals to the Commission to tackle gender inequalities. The ETUC strongly believes that these recommendations are still valid and should be urgently addressed:

- A reinforced commitment to gender equality, including new legislative proposals to tackle the gender pay gap (with quantitative targets, sanctions and incentives for the social partners to actively carry out pay audits and analysis of the pay differentials), the horizontal and vertical professional segregation of women and precarious forms of work;
- A combination of gender mainstreaming with specific actions, to begin with all measures and policies regarding the economic and financial crisis. This includes for instance measures to tackle the gender impact of the economic and financial crisis in recovery packages, training and retraining programmes for women, including investing (also) in female dominated sectors and public services;
- An EU Directive to introduce a minimum right to paternity leave and carers' leave;
- New indicators to measure progress on care services;
- Comparative research on part-time work and proposals on how to make part time work a genuine quality option for men and women;
- Full respect, recognition and support of the role and autonomy of social partners at all levels in promoting equality between men and women through social dialogue and collective bargaining;
- Measures to prevent and combat any form of harassment and violence against women;
- Obligations with guidelines to implement gender impact assessments in all legislative proposals that are put forward by all EU Institutions.

## **Context**

One of the issues mostly debated at European level in recent times in the area of gender equality has been the under-representation of women in decision-making positions, and more specifically in company boards.

Despite the severe economic crisis affecting Europe, women's presence in the labour market have been slowly rising, but the situation between countries differs. Europe is far from attaining EU2020 target of 75% of women and men in employment and women continue to be seriously underrepresented in economic decision making positions, especially in senior management functions and in corporate boardrooms.

According to the most recent EU study, in 2012 women made up 13,7% of the supervisory boards of the largest publicly-listed companies. This figure has been increasing by 5 percentage points since 2003. Across the European Union, one in three large companies had no women at all on its board in 2010. And this is despite the fact that more women are earning college degrees than men (60% of new university graduates in Europe are female)<sup>2</sup>.

Women are almost completely absent from leadership positions as CEO's and Chairpersons: in the EU only 3% of the presidents of boards are women with no substantial increase in the last ten years<sup>3</sup>.

The figures vary by country: more than 25% female board members in Sweden, Latvia and Finland while less than 10% in Cyprus, Malta, Italy, Luxembourg, Portugal, Estonia, Ireland and Hungary. Gender balance is more encouraging among employees' board level representatives, where women account between 20%-30%<sup>4</sup>.

Findings are particularly alarming also when looking at companies' attitude to investment in females workers careers development. According to an analysis of gender representation in Executive/Management roles across Europe issued by Mercer, 71% of 5,321 companies across the EU do not have a clearly defined strategy or philosophy for the development of women into leadership roles. The same study also recognizes that a more diverse workforce reduces turnover and absenteeism and increase innovation and creativity.

Unfortunately, data on board composition broken down by company size are not available, however national studies suggest that the total share of women tends to be slightly lower in smaller companies

Some EU countries have so far introduced legislative measures with quotas to increase the number of women in business leadership. To date, quota legislation exists in the following European countries: Belgium, France, Iceland, Italy, Norway, Spain and the Netherlands.

Quotas range from 30% to 40%, they are generally binding for both public owned and publicly-listed companies and in few cases sanctions are foreseen. In most of the countries where legislation was introduced, a transition period is set.

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<sup>2</sup> Women in economic decision-making in the EU: Progress Report, European Commission, 2012

<sup>3</sup> *Equality in decision making: diverse approaches for gender balanced corporate boards*, Background note for the EC Conference Equality between women and men, 19-20 September 2011", Mirella Visser, 2011

<sup>4</sup> See: European Commission database on women in company boards: [http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/business-finance/quoted-companies/index\\_en.htm](http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/business-finance/quoted-companies/index_en.htm) and EuropeanPWN BoardWomen Monitor [http://www.europeanpwn.net/index.php?article\\_id=8](http://www.europeanpwn.net/index.php?article_id=8)

Other member states implement a voluntary approach to promote gender balance in boards. These voluntary initiatives range from effective corporate governance codes, leading to transparency, accountability and peer pressure, an active role of the government (in the form of target-setting for state-owned companies' boards), a constructive role of the media and global policies in favour of gender equality. However, in the majority of Member states (where the underrepresentation of women in board is also low), the debate is completely absent and any initiative addressing the issue of gender equality in company boards has been taken.

Irrespective of the solutions found in individual Member States, today one idea is gaining ground in Europe: there is a business case for gender equality. Studies show positive correlations between diversity in boards and company performance.

For instance, a McKinsey study of large European companies (also quoted by various EU reports on this matter) indicates that the best companies in terms of work environment, innovation, accountability and profits were those with a higher proportion of women on boards<sup>5</sup>. According to their latest report, companies with a gender balanced composition can achieve an operational profit which is 56% higher than that of male only companies. These findings are supported by a large number of EU, national and business reports<sup>6</sup>.

## **The EU response**

Equality in decision-making is one of the priorities addressed by the EU. The most recent documents adopted to tackle this long-standing challenge are the Women's Charter and the European Commission's Strategy for Equality between Women and Men 2010-2015<sup>7</sup>. In both documents, the European Commission has reaffirmed its commitment to working to increase gender balance in decision-making positions. In particular, the Commission commits to consider targeted initiatives to improve the situation.

The European Commission has also tried to stimulate the corporate sector to voluntarily take action to achieve more gender-balanced boards. To this end, in March 2011, Commissioner Reding met chief executives and chairs of boards of publicly-listed companies to discuss the under-representation of women on corporate boards. She challenged all publicly-listed companies in Europe to sign up to the "Women on the Board Pledge for Europe" and voluntarily commit to increasing women's participation on corporate boards to 30% by 2015 and to 40% by 2020. The issue of better gender balance in boards was also addressed in the Green paper on the EU corporate governance framework in 2011.

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<sup>5</sup> A.O. "Women Matter" by McKinsey 2010; "The bottom line: connecting corporate performance and gender diversity", by Catalyst, 2004.

<sup>6</sup> "Women to the top! Female leadership and Firm profitability", 2007, by EVA ([www.eva.fi](http://www.eva.fi))

<sup>7</sup> See EC webpage: [http://ec.europa.eu/justice/gender-equality/index\\_en.htm](http://ec.europa.eu/justice/gender-equality/index_en.htm)

In March 2012, the European Commission has issued a progress report on the impact of the voluntary pledge and the measures taken by companies. A public consultation was launched to identify appropriate measures for addressing the persistent lack of gender diversity in boardrooms of listed companies in Europe. The Commission is seeking views on possible action at EU level, including legislative measures, to redress the gender imbalance on company boards. Following this input, the Commission will take a decision on further action later this year.

Commission's initiative has been supported by the European Parliament through the adoption of a Report on women and business leadership in 2011 and by the latest Report on the equality between men and women in March 2012<sup>8</sup>. MEPs welcomed Commission's initiative and urged the Commission to "*propose legislation including quotas by 2012 for increasing female representation in corporate management bodies of enterprises to 30% by 2015 and to 40% by 2020*", if voluntary measures do not manage to increase the proportion of women.

Another indication of EU willingness to address gender balance in company boards is found in Commission's work programme for 2012 where it is stated that "*Following the gender equality strategy a Recommendation would aim to improve gender balance in company boards. As well as being a fundamental right, gender equality is crucial for the EU's growth and competitiveness*". On this basis a public consultation was launched by the Commission in March 2012 and the ETUC replied in May.

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<sup>8</sup> See EP Report on women and business leadership : <http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2011-0210&language=EN> and the EP Report on the equality between men and women 2011 <http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2012-0041&language=EN>