



Female quotas

Briefing

"Personally, I am not a great fan of quotas. But I like the results they bring."
Viviane Reding, EU Commissioner for Justice, Fundamental Rights and Citizenship

Why has the Central Board of BPW Switzerland decided to petition for the introduction of quotas for the number of women on boards of directors?

BPW's roots lie in striving for women to be **equally and fairly represented in executive-level and senior positions.**¹

This aim was laid out at the start by the founder of the BPW Federation, Lena Madesin Phillips: "Women need full and free access to all levels of corporate life before they can say that they are equal to men."²

More than 80 years later, this aim is yet to be achieved.

If our association is to continue to thrive, we have to adapt our original aims and demands – what is essentially the DNA of BPW – to reflect modern day life. In 2012, this means that if we do not clearly and emphatically pursue the goal of women being equally represented in companies' boards of directors and management functions, we are not only moving away from the ideals of our founding generation, but also from our very purpose, as set out in the BPW articles of association:

Article 2 Purpose

*The purpose of the association is to **advance and support** working women with respect to professional, cultural, civic and social issues, in particular by: ..., **-delivering opinions as an economically influential lobbying group,...***

We firmly believe that the **members of our association** are qualified and able to assume functions on boards of directors. The fact that a large proportion of our members are not in these functions is not due to their qualifications, but to **systemic factors**. Changing this is **one of the duties of an association such as BPW Switzerland.**

¹ BPW International - www.bpw-international.com

² "A measure filled - the life of Lena Madesin Phillips"

Does the Central Board have the right to decide to petition for a quota of women on boards?

The Central Board is the strategic body of BPW. Its scope of activities is set out in the articles of association:

11.3 Scope of activities

The Central Board represents the association externally. It is responsible for:

a) the strategic focus within the scope of the association's purpose (Art. 2)... .

To petition for a minimum quota of women on boards of directors is a strategic decision aimed at the equal participation of women across all corporate levels.

The Central Board voted unanimously in favour of this decision.

Why has this decision been made now?

At BPW Switzerland's closed meeting in August, the Central Board laid out its vision and **strategy for 2012 - 2015**.

"Vision 2015" focuses on BPW becoming the **priority partner of companies** and politicians with the aim of boosting the economy by **increasing women's participation**. To achieve this, it is also necessary for women to be equally represented in management positions. **BPW Switzerland** should be viewed as the "**reservoir**", where these female managers can be found.

If no additional measures are taken in this respect (such as the introduction of quotas), **at the current rate** it will take at least **40 years** for women to be equally represented (EU forecast).

The Central Board of BPW Switzerland does not want its members to belong to a **lost generation**.

Personally, I am against the introduction of such a quota and am not in favour of the decision.

However, the role of an association and the elected representatives of an association is to act in this interests of the organisation. As such, it is sometimes necessary to advocate a view that is not your own. As the official representatives of BPW Switzerland, we are therefore providing you with the following arguments for external communication purposes.

Why a quota for women?

Just **over half** of the population are **women**.

Around **80% of women** (of working age) are **in work**.

80% of purchasing decisions are made by **women**.

However, only **5% of seats on the executive boards** of Switzerland's 115 largest companies are occupied by **women**.

Women make up **11% of the members of the boards of directors** of the 89 largest companies (Schilling Report)³.

Or put another way, **95% of the executive boards of Switzerland's 115 largest companies are men and 89% of boards of directors are men**.

This means that

- women's share of **power and income** is **not** in line with the proportion of women in the general population.
- Due to the small number of women in senior management positions, the **interests** of women as a social group are **poorly represented, or are not represented at all**.

Social processes take a long time to implement and at the **current rate**, it will take at least **40 years** for women to be equally represented (EU forecast). We therefore need additional measures, such as quotas. Women today are highly qualified and there is no good reason as to why companies are not making use of these resources right now.

The best argument in favour of quotas came from Viviane Reding, EU Commissioner for Justice:

**"Personally, I am not a great fan of quotas.
But I like the results they bring."**

Viviane Reding, EU Commissioner for Justice,
Fundamental Rights and Citizenship

³ http://www.schillingreport.ch/upload/public/5/4173/schillingreport_2012_E.pdf

Why a quota for women "only" on boards of directors of listed companies and public bodies?

The business activities of listed companies are governed by Swiss company law. If a quota is to be implemented, the provisions underpinning it must be based on this company law. Listed companies also differ from family-owned companies primarily in their **size**, which makes meeting requirements such as a female quota easier. In addition, large companies and public bodies should also serve as **role models**.

Many companies already have "diversity" programmes in place. Are these not enough?

Many companies have discovered that "**mixed teams**" achieve **better results** than teams containing only men or only women. It can be seen that companies based in Switzerland have **increased** the **number of nationalities** represented on their boards of directors and executive boards. So it appears that the principle of "diversity" plays a key role in appointing new board members. **Provided they are male.**

A company has to be financially successful. But they don't appear to need women to do so.

Various studies, such as "*Why Women Matter*" by the consultancy firm McKinsey⁴, have concluded the following: The **higher the number of women** in management positions, the **more successful** a company is. And the Credit Suisse Research Institute's report on "*Gender Diversity and the Impact on Corporate Performance*"⁵ determined that over the past six years, the share prices of companies with **at least one woman on the board of directors** have **outperformed** those of **other companies**.

Despite these financial benefits, the proportion of women on boards of directors and in management positions has not increased significantly.

⁴ http://www.mckinsey.com/features/women_matter

⁵ <https://infocus.credit-suisse.com/app/article/index.cfm?fuseaction=OpenArticle&aoid=360157&lang=EN>

So why force something that would not happen by itself?

Take Deutsche Telekom as an example:

Deutsche Telekom was the **first listed German company** to introduce a quota for women. By the end of 2015, **30% of middle and senior management** positions are to be occupied by women. **CEO René Obermann** is sure that this measure will not only widen the talent pool, but will also **add significant value over the long term**. "Having more women in management positions is imperative for social **fairness** and above all, a **categorical necessity for our future success**," he explained. Or to summarize, "**Having more women at the top will simply make us better.**"

How high should the female quota be?

Between 30 and 40 percent is seen as being ideal. According to a study titled "*Critical Mass on Corporate Boards: Why Three or More Women Enhance Governance*"⁶, on a committee **normality** only sets in once there are **at least three women**. All the countries that have already introduced such quotas set the figure at between **30 and 40 percent**. On average, **a board of directors has ten members**.

Is it not an insult to appoint a woman simply because of a quota?

In the 1980s, women had to fight for equality in the workplace and public pressure forced companies to employ more women and, **if two candidates were equally qualified, to give the job to the woman**. At the time, we were viewed as "token women". Do you remember? Were you one of them? Did it hurt? Perhaps. But as the number of women grew, the disparaging comments also disappeared.

The **number of women** entering the world of work led to it being seen as normal today to employ women - at least up to middle management.

⁶ <http://www.wewonline.org/pdf/CriticalMassExecSummary.pdf>

Will a female quota not lead to discrimination against men?

For the period when the quota would apply, yes.

However, **there is already discrimination**, mainly against women.

To reduce discrimination for one group of people, international law permits so-called "positive discrimination". It can be applied for a certain period of time until the group in question receives the same opportunities and rights.

Should a quota be put in place permanently?

A **quota provides the impetus** for a measure to be put into place. Once a **critical mass** has been reached, for example 40-45%, after some time it will be seen as "normal" and will then be **self-regulating**.

Would it not be better to address the issue of childcare and day schools first of all?

It is a case of doing one thing without neglecting the other.

Of course BPW campaigns for **family-friendly structures** in companies, for enough **childcare places**, for **daytime care** in schools, and for dual-income married couples not to be disadvantaged in terms of tax, for example by introducing **individual taxation**.

The path to actual equality has to be approached from a number of angles, with **quotas representing just one of the measures**.

And what happens if one of the women in the quota system fails?

That is obviously not a good thing, but **women have as much right as men not to be capable of fulfilling a role**. Not all board members can perform well, just like not every woman has to perform well. The point is though, that the women on today's boards of directors are excellently qualified, if not more so than their male counterparts:

"89% of female board members have an academic background, which is above the average of the sample taken (82% of all BoD members surveyed: author's note). 24% of

female members had doctorates, which was below the sample average of 32%. In this respect, **female board members of SMI companies do particularly well: 39% of them have doctorates**, which is way above average. This is a clear indicator that female SMI board members are very highly qualified."⁷

Or to put it in **casual** terms, even with a quota of 40%, **men will still make up the majority**.

So whoever still clings to the mistaken view that per se, **men are competent** and **women are incompetent** can still console themselves with the fact that even with a female quota, **men will still be able to outvote women**.

How far has the discussion on female quotas progressed in Switzerland?

- A motion⁸ by SP National Councillor Katharina Prelicz-Huber to introduce a female quota was rejected by the National Council in 2011. The Federal Council also recommended that the motion be rejected.
- For shareholder meetings, the Actares shareholders' association has the following passage in its guidelines:

ACTARES requires that both genders be adequately represented.

*When appointing members to the board of directors, if either gender is not adequately represented, ACTARES can reject the proposed candidate. Such a vote will be substantiated.*⁹

However, many companies have set their own targets for promoting women:

- **Roche** intends to increase the proportion of women in management roles from 10% to **20%** by 2015.
- Raiffeisen intends to increase the share of women in management to **30%** by 2015.
- **COOP, Swisscom and Allianz Suisse** are planning internal guidelines in this respect.
- Woman already occupy **25%** of the seats on **Nestlé's board of directors**.

⁷ http://www.schillingreport.ch/upload/public/5/4173/schillingreport_2012_E.pdf

⁸ http://www.parlament.ch/e/suche/pages/geschaefte.aspx?gesch_id=20093067

⁹ <http://www.actares.ch/de/index.php/service/guidelines/>

- **22.2% of Die Post's board of directors** are women, **and this year it appointed a woman, Susanne Ruoff, as group CEO.**

Following on from **Basel** and **Berne**, Zurich now intends to introduce a quota for women in management positions in the city's administration.

A quota regulation does not fit in at all with a libertarian Switzerland!

Diversity and quotas? We invented them!

Switzerland is a privileged country. And a successful one. Because it carefully ensures that **all sections of its population** are **adequately represented** and listened to. To achieve this, there are quotas in place: In the **Federal Council**, **parties** and **language regions** have quota places, the **Council of States** is made up of **quotas from the cantons**, there are **language quotas** for the **Federal Administration** and in the **Bernese cantonal government**, there is a **quota for representatives** from Bernese Jura. Recently, we even introduced a quota for second homes. So why is there such resistance to a quota for women? Why, in a country as well balanced as Switzerland, is it considered normal that **half of the population is significantly underrepresented in business?** Anybody who wants Switzerland to continue to prosper has to be in favour of a quota for women. **Switzerland invented the principle of diversity.** We now have to continue developing it, by introducing a female quota for the good of the economy.

You often hear people say that they would employ women, but women don't want to.

Women often **want to work**, but can't - see the section on "Would it not be better to address the issue of childcare and day schools first of all?".

Other women **do not want to** because they are **uncomfortable with the male-dominated world** of management and the associated **rules**. At present, the rules are

made by those in charge - so women need to be represented in the boardroom so they can **play a part in introducing different rules**.

Yes, it is **hard work** and often uncomfortable to **take responsibility**. But what would be the point of generations of women having fought for our freedom and **right to self-determination** if we are not prepared to continue on this course? Freedom is only worth as much as the extent to which we enjoy it.

Where are there already quotas for women in place?

In 2006, **Norway** was the first country to introduce a legal quota for women of 40%. Today women make up 42% of the decision-making bodies of the largest listed companies there. A company that fails to meet the quota can face a court order.

In **France**, the proportion of women rose from 12 to 22% in just one year, and by 2017, this figure must be 40%. The law applies to 650 listed companies as well as companies with more than 500 employees that turn over EUR 50 million or more.

In **Italy**, a law was introduced on 12 August 2012 requiring listed companies and (partially) state-owned enterprises to have at least 20% of seats on their supervisory boards occupied by women (as the seats are reappointed). By 2015, this will rise to 30% for when the boards are next appointed.

In **Sweden**, there is a code of corporate governance that requires a balanced gender distribution¹⁰.

In the **Netherlands**, the parliament introduced a law in 2010 requiring at least 30% of seats on advisory boards and boards of directors to be occupied by women for companies with over 250 employees. This will enter into force in 2016.

Belgium is planning a legal quota (supervisory boards of listed companies to comprise at least 30% women), but this is yet to be implemented.

In **Spain**, the parliament passed a gender equality law in 2007 imposing a quota for women on the boards of public and private companies with over 250 employees. The quota is set at a minimum of 40% and a maximum of 60% and must be met within 8 years (by 2015).

In **Iceland**, the proportion of women on the boards of directors of government and government-controlled companies with more than 50 employees is prescribed by law: by 2013, the boards of directors must comprise at least 40% both men and women, provided

¹⁰ <http://www.corporategovernanceboard.se/the-code/the-revised-code-2010>



the board contains more than 3 members. Companies with more than 25 employees must disclose the number of male and female employees and management staff.

Denmark's equality law contains a provision stipulating that the boards of government-related enterprises must have as even a gender balance as possible with respect to the board members' mandates.

Finland's "Equality Act" (2005) requires that companies under predominantly government or municipal ownership must ensure there is a balanced distribution of men and women on their management and supervisory boards (unless there are good reasons for this not to be the case). Finland's quota requires that 40% of seats on public boards are occupied by women.