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Diversity Dividends

Advancing Women in Business Leadership

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Contents

Introduction

Over the last decade, gender inequity in the workplace has become the focus of many efforts attempting to break the glass ceiling. Women continue to be left out of management positions, despite catching up with men in areas such as educational attainment, and despite laws banning discrimination in the workplace.

In the business world, men continue to reign. They dominate boardrooms, outnumbering women more than ten to one.[1] In this report, we bring together various initiatives promoting gender diversity in business leadership. We review the efforts of governments, companies, stock exchanges, and investors attempting to close the gender gap in business leadership.

Some governments have established quotas to ensure more women reach the top echelons of business. From South America to the United Arab Emirates to the European Union, quotas are on the table. This report provides a sweeping overview of women on boards around the globe, the quota momentum and the debate it provokes. Corporate governance approaches are also gaining momentum.

Corporate governance codes are guidelines or recommendations set by entities like corporations, stock exchanges, securities markets, regulatory associations, independent market regulators, international economic organizations, or sometimes even regulatory agencies. The reporting of diversity in employment increases the transparency around gender inequity.

An innovative way for companies to promote gender equality is gender certification. Companies voluntarily assess their pay and workplace policies, agreeing to an evaluation by a third party. After an assessment, they are granted or denied certification – a seal of approval – for granting equal pay for equal work and for policies deemed “gender friendly.” The audit helps a company identify areas that need improvement, and can shape corporate workplace policies. The World Bank, non-profits, private companies and even governments offer gender certification. Some governments, including Switzerland, require pay equity certification for their procurement contractors.

There are also vibrant movements pushing voluntary benchmarks for women on boards and in executive suites. Several organizations around the globe are pushing pay equity and voluntary commitment to benchmarks in gender equality.

The trend extends to one of the male bastions of industry - the field of stocks, bonds and private equity. Joe Keefe, President and CEO of Pax World, believes that women are worth investing in “because companies that advance and empower women are, in our view, better long-term investments.”[2] Investment dollars are directed to give women access to capital, focused toward private sector companies with enlightened gender policies or directed to socially responsible businesses providing goods and services that benefit women. These investment strategies can assist firms in benefiting from the competitive advantage of gender diversity.

Notes

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Women on Boards: Policies and Practices

Michelle Kelso and Althea Koburger

- In this section, we look at women on boards around the globe, the quota momentum and the debate they provoke, before delving into some alternative strategies for women's advancement in economic decision-making.[1]

Introduction

Globally, women are outnumbered in boardrooms. A 2012 GMI survey of some 4,500 firms in 40 countries showed that only 10.5% of board directors were women.[2] This figure varies, depending on industrialized or emerging economic status. In developed economies, 11.1% of directors are women, and 63.3% of firms have at least one woman on their board.[3] Emerging markets average 7.2% female directors, with 43.3% of boards having one woman director.[4] GMI notes that overall figures have risen in recent years, primarily due to legislative and voluntary programs. However, the report cautions that global aggregate percentages do not tell of national cultural and historical differences or economic peculiarities between nations.

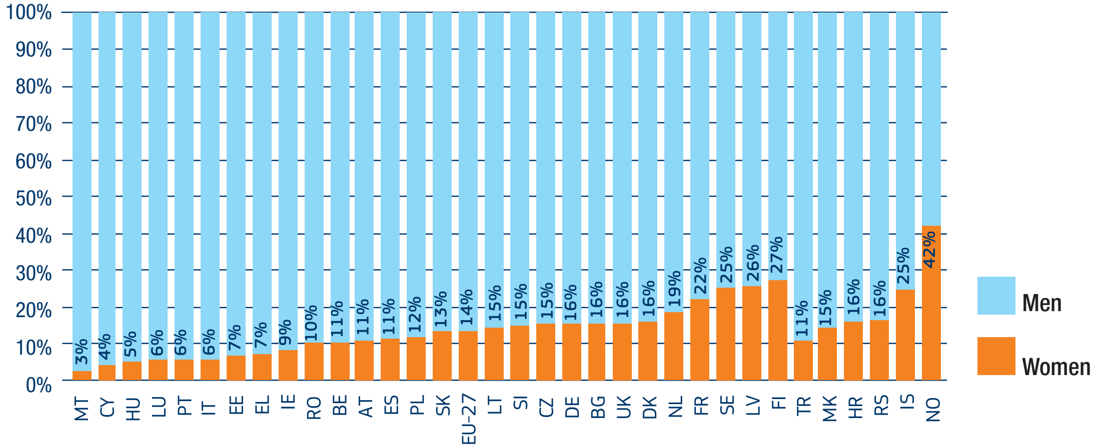
In the EU in 2012, women represented only 13.7% of board positions in large listed companies, a five percent increase from 2003 figures.[5] Broken down further, this meant women occupied 15% of the non-executive posts and 8.9% of the executive posts.[6] Some EU countries were more gender progressive than others. More than one-fourth of Finnish and Latvian board members were women (27% and 26%, respectively). Maltese and Hungarian boards had the most inequitable figures (3% and 5%, respectively) in the coalition.[7] In the U.S., GMI estimated that only 12.6% of board members were women, and that even though 70% of companies had at least one woman serving, less than 2% of board chairs were women.[8] Variation existed in emerging markets as well. China rose above the average for developing nations, perhaps due to its communist structure, as women made up 8.5% of boards.[9] More

Figure 1: Percentages of Women on Boards Globally

Region	Country	2011 %	Region	Country	2011 %
The Americas	Brazil	4.5	Europe	Austria	10.8
	Canada	13.1		Belgium	9.4
	Mexico	6.4		Czech Republic	8.6
	Peru	0.0		Denmark	15.6
	United States	12.6		France	16.6
Asia	Australia	13.8		Finland	26.4
	China	8.5		Germany	12.9
	Hong Kong	9.4		Greece	7.3
	India	5.2		Hungary	5.9
	Japan	1.1		Ireland	8.5
	New Zealand	13.7		Italy	4.5
	Philipines	12.2		Netherlands	13.1
	South Korea	1.9		Norway	36.3
Middle East & Africa	Egypt	7.0		Spain	10.2
	Israel	14.2		Switzerland	9.1
	Morocco	0.0		Sweden	27.5
	South Africa	17.4		Turkey	11.2

Source: GMI Ratings' 2012 Women on Boards Survey (2012). Note: GMI's report includes data on 4321 companies in 45 countries.

Figure 2: Women and Men on Boards of the Largest Listed Companies in the EU in 2012



Source: European Commission (2012).

Figure 3: Men and Women Chairpersons/Presidents of Large EU Companies

%	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Men	98.4	97.4	96.9	96.3	97.1	97.2	97.0	96.6	97.3	96.8
Women	1.6	2.6	3.1	3.7	2.9	2.8	3	3.4	2.7	3.2

Source: European Commission (2012). Note: 2003 data exclude CZ, LT, MT, & PL.

Chinese board chairs were women (3.7%) than in industrialized markets (1.9%). While 40% of Indian boards had at least one woman, overall only 5.2% of board members were women. In Brazil, only 4.5% of board members were women, with nearly no growth in the past four years. Nepotism may account for much of that figure, as GMI found that family connections – rather than skill – factor into female appointments.[10]

Men also reign in boardrooms of Fortune Global 200 companies. According to Corporate Women Directors International (CWCI), though, the number of women on boards is slowly increasing in the world's largest firms.[11] "In 2013, one third of the Fortune 200 companies, 67, now have three or more women on boards. Tokenism is moving away and now it's much more," said Irene Natividad, president of CWCI.[12] Natividad's team attributes this movement to quotas and changes in corporate governance codes. "Quotas work," she iterated.

The top spot in this year's CWCI report went to France, which achieved 25.1% of company directorships held by women in the world's largest companies. A 2010 quota bill accelerated French companies' performance from 7.2% in 2011, allowing it to overtake the U.S., which remained at around 20% after dominating the 200 largest companies globally for almost ten years.[13] The countries with the greatest gains for women in 2013 – France, Spain (12.7%), Italy (9.3%) – all have implemented quotas since 2007; Italy passed legislation most recently, in 2011. Companies based in countries with quotas outperformed their peers in gender diversity, averaging 18.9% women directors versus 15% in countries without quotas.

"Here is the dark cloud. The three largest economies – the U.S., Japan and China, have 104 companies [in the Fortune Global 200]. They are doing nothing," said Natividad. "In the U.S., there is no national effort. The bottom line is if you do something – stock exchange, corporate governance code, quotas – something will happen. If you think that women will rise to corporate leadership naturally, nothing will happen."

Mandatory Boardroom Quotas

In 2003 Norway was the first country to pass legislative quotas for gender diversity in company boardrooms of publicly traded firms.[14] One year prior, Norwegian women held less than 7% of board seats, and fewer than 5% of chief executive positions.[15] When voluntary measures failed, firms were given a 2008 deadline to meet quota requirements. Non-compliance came with a penalty – dissolution for firms not meeting gender parity benchmarks. Arni Hole, General Director of the Equality Ministry, recalled in 2010 the uproar it caused in her country: “There were, literally, screams. It was a real shock treatment.”[16] In five years, the percentage of women on boards of publicly listed companies reached over 40%, the highest proportion in the world.[17] Tagged the “golden skirts,” Norwegian women catapulted into boardrooms, inspiring several countries worldwide to mandate quotas. Spain, Italy, France, Iceland, and the Netherlands followed suit, as did Indonesia, Israel, Kenya and The United Arab Emirates, to name a few. Thus far, 18 countries have ushered women into boardroom positions through quotas.

The implementation of quotas for women on corporate boards continues to be controversial. Those favoring quotas point to the corporate glass ceiling, arguing that, at current rates of growth of female boardroom appointments, gender parity could take a century or more to achieve.[18] They herald the success of Norwegian and French quota implementation, where the number of women on boards skyrocketed after legislation took effect, surpassing even regulatory targets. Advocates like the European Women’s Lobby push even further to surpass present legislative quotas, so that all boards are 50/50 by 2020.[19] Those against mandates, such as the UK-based 30% Club, call for voluntary gender goals for board appointments. They argue that legislative mandates will produce quantity, but questionable quality.

Most quota proposals call for women to occupy a certain percentage of non-executive board directorships (NEDs), which are independent appointments outside of firms’ executive management teams, as these positions are easier to regulate. Duties of NEDs vary, but they typically focus on issues such as planning and performance. Since these roles often involve critical decisions, both sides of the argument have strong opinions regarding the benefits of mandating hiring behavior. Whichever side of the debate one falls, it is undeniable that legislative measures have become a fast-track approach to get women on boards.

However, boards are not always focused on improving gender diversity. The 2012 Board of Directors Survey (BDS) looked at governance practices, strategic priorities and views on board effectiveness of corporate directors in 58 countries.[20] Researchers found that although boards are often asked to increase diversity and inclusion by recruiting and appointing more women, they are not necessarily prioritizing the appointment of more diverse members.[21] Some 46% of American directors and 57% of directors outside the U.S. did not name diverse representation as a priority for their board’s seating.[22] Furthermore, less than half of all respondents said their boards had adopted policies to advance boardroom diversity, with U.S. boards doing better than non-U.S. boards in this area.

While many directors hold similar opinions on issues such as the economy and the bottom line for their companies, researchers noted sharp cleavages on how men and women thought about gender diversity. Female directors indicated the most effective way to increase board diversity was through chair leadership. Men, on the other hand, preferred a diversity pipeline of board candidates, advanced through advocacy and mentor training.[23] Men and women also differed on the reasons for women’s underrepresentation on boards, as 45% of men believed that it was a pipeline issue – meaning there was a lack of women in the ranks to advance – whereas 35% of women said it was traditional male networks that were prohibiting the promotion of women.[24]

The biggest divisions came around the issue of boardroom quotas as an effective measure to increase diversity. Over half of women and a fourth of men agreed that quotas were efficient tools. However, most directors did not personally support the use of quotas, as 61% of female and 82% of male directors were against their implementation. Professor Boris Groysberg of the Harvard Business School explained the discrepancies: “In the U.S., women’s representation on boards has remained relatively flat for about 10 years. Not surprisingly, many female board members are very disappointed with this stalled progress, which is why we are seeing more support for quotas today than we did 10 years ago."[25]

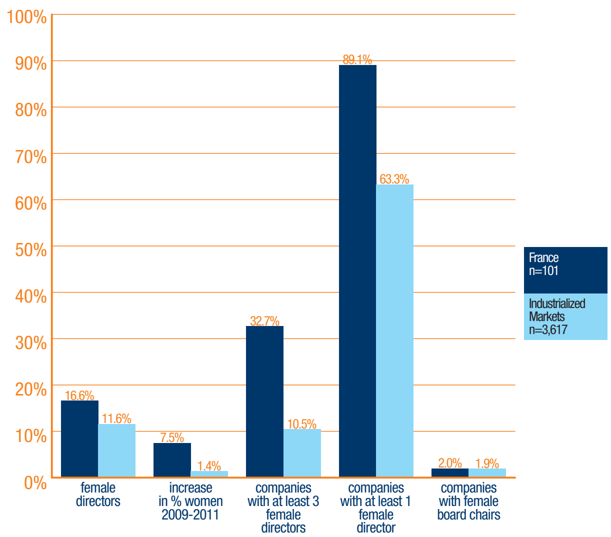
Quotas Come to France

In January 2011, France implemented a gender quota.[26] Backed by both the conservative UMP party and the opposition Socialists, the legislation mandated a minimum 40% of boardroom seats be held by women for listed companies and those with more than 500 employees by 2017.[27] At the time the quota was instituted, only seven companies on the blue chip CAC 40 index even met the interim criteria – to have 20% of seats be held by women within three years.[28] In one study by Credit Suisse, conducted between 2005 and 2011, the number of companies with at least one woman on the board rose from 47.8% to 97.1%.[29]

In 2009, President Nicolas Sarkozy's party put forth a proposal to mandate even stricter gains for women on corporate boards. The original legislative draft called for 50% of board members by 2015. After some debate, the final plan mandated that a more modest 40% of board seats go to women.[30] This agreement surprised many who, having seen France's historically negative attitude towards quotas, had not expected backing from conservative groups, such as the French Institute of Directors (IFA) and Areva (a multinational industrial conglomerate).[31]

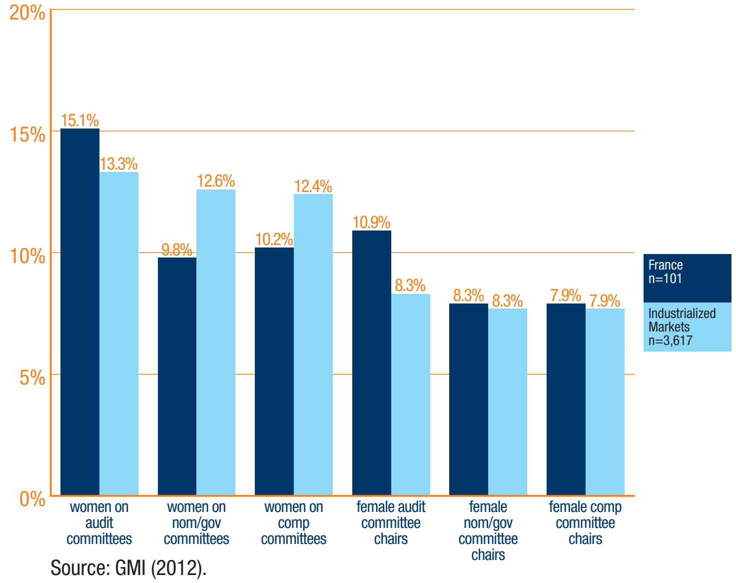
Christine Lagarde, then French finance minister (now head of the IMF) experienced a change of heart by 2009, calling for determined action. "I didn't use to think it would require legislation or preferential treatment to advance women, but I've changed my view because otherwise it's going to take too long," said Lagarde.[32] While most of the French public believed that quotas weren't completely necessary, it has become accepted after years of crawling gains for women that imposing parity may be the only way to achieve gender equality goals in a reasonable time frame. "In 2002, a huge majority would have been against it," noted Véronique Préaux-Cobti, founder of Diafora, a gender diversity consulting firm. "Now, after years of good will with no change, there is a realization that things are not going to change on their own."[33] This awareness was demonstrated throughout the debate in France as some female activists, sometimes disguised in beards to protect themselves from repercussions, stormed shareholders meetings and demanded that companies take their demands seriously.[34]

Figure 4: Women on Boards in France



Source: GMI (2012).

Figure 5: Women on Committees in France



Source: GMI (2012).

The change in structure of corporate boards, having long been a men's club made up of graduates from France's elite business and engineering schools, will likely affect France's power structure. The desire to hold onto the male business culture has already been shown, in that some of the choices for board nominations have been wives of prominent French men.[35] However, since women now comprise a majority of business school students, female graduates with top tier educational backgrounds will rival their elite-educated male counterparts in qualifications and expertise.[36] In a show of the success achieved by the quota, recent studies show that the rate of women on governing boards has increased from 8% in 2008 to 12% in 2010, and even to 14% in 2012.[37] As of January 2013, France has become the first EU country to have more than one woman on the top-level board of all of its largest listed companies.[38] Women now represent one quarter of CAC 40 company board seats in France.[39]

The Rejection of Quotas

The UK, Germany, Switzerland and the EU have considered and thus far rejected the merit of quotas. In other economic powerhouses like the U.S., with its history of contested affirmative action initiatives, quotas are not even up for discussion. Cultural norms often create resistance to quota implementation. A 2011 EU survey revealed that nearly one-third of Europeans prefer companies to set their own target goals, and just 26% support mandatory legislation.[40] However the momentum of quotas has pushed countries to open sometimes unwanted discussions around gender equity. The British government commissioned a report Women on Boards 2011 (also known as the Lord Davies report) to delve deeper into the quota conundrum. While the report recognized gross gender inequality – women made up only 12.5% of the seats on boards of FTSE 100 companies – the report rejected quotas. Instead, Lord Davies and his team suggested that firms employ soft targets, aiming for 25% female representation by 2015.[41] The report suggested that FTSE 350 companies set in-house gender targets. By advocating for voluntary measures in the UK, the Lord Davies report effectively stifled the introduction of quotas.

Like the UK, Switzerland has been uninterested in instituting gender quotas, even though 34.2% of Swiss companies still have no women on their boards.[42] In 2011, the Swiss House of Representatives struck down a motion for gender quotas, a move supported by The Swiss Business Federation which instead recommends voluntary targets for boards.[43] Despite a decade of stagnant statistics of around 8% for women on boards and 4% for women senior executives, Swiss support for quotas is slim.[44] "Ten years ago we had the same discussion and firms swore they would improve," said Heliane Canepa, the first female chief executive of a SMI (Swiss Market Index) 100 company.[45] "They introduced a whole lot of women's programmes and there was lots of talk. But these companies still have no women at the top."

A 2012 survey of Swiss-based employees, conducted by The George Washington University, found that men overwhelmingly rejected quotas (89%), while only around half of women approved of them (54%).[46] Opinions of workplace gender equity differed drastically. The majority of women (73%) reported that women faced barriers to advancing in upper management, while 61% of men did not see gender as a factor in career advancement. Switzerland stands in the company of Japan, Korea, Russia and China as one of the few major world economies that have not set mandatory or even non-binding targets.[47]

Recently, an EU-wide quota bill was stymied as well. In 2012, EU Vice-President Viviane Reding spearheaded a quota plan for the 27 member nations that would make women's representation on public company boards 40% within a decade.[48] Figures revealed that men dominated executive board positions, holding 91.1% of them, represented 85% of non-executive board members, and held 96.8% of board chairs in 2012.[49] Inspired by quota successes in 11 member nations and wanting to circumvent national legislation, which one report concluded that impeded the bloc's gender progress,[50] Reding envisioned that quotas would catapult women into corporate leadership.[51] She also argued that diversity could increase profitability, in turn stimulating the EU economy.[52]

Reding's initiative was put forth to combat wide gender disparities across the Euro-zone in 2011. Romania boasted the highest figures for women in executive board seats at over 30%, followed by Latvia and Slovenia (approximately 22% and 20%, respectively) – all former Eastern bloc nations with relatively new EU memberships. Nine countries didn't even have 5% female executive decision-makers on boards, and Italy dismally hovered in last place at around one percent.[53] Further, only 3.2% of company presidents and chairpersons were women in 2012, a less than one percent increase from 2004.[54]

Most quota initiatives only focus on non-executive board positions (NEDs), and Reding's proposal was no different. It called for the appointment of women in NED positions at around 5,000 large companies on EU stock exchanges, excluding medium and small firms. Reding's plan also outlined a 'flexi-quota' for companies to set soft gender targets for executive board appointments, with disclosure being mandatory.[55] While many supported the move, a British-led coalition struck down the EU quota proposal, arguing that the mandate would impose sanctions on non-compliant companies.[56] Thus at present an EU gender quota is off the proverbial policy table.

Alternative Paths to Promoting Women at Senior Levels

The Problematic Pipeline

One strategy for increasing the number of women in senior management has been the "pipeline," which refers to a process of preparing women for promotion. The pipeline connotes a cadre of women waiting in some nebulous corporate holding ground, picking up necessary business kit tools so that they can bust into c-suite and board positions. It has taken root across industries and governments as the solution to a dearth of women leaders. This approach suggests women will naturally advance to executive positions based on their accumulated experience. Many firms prefer pipelines to quotas, as it leaves them free to develop their own promotional agendas. What remains murky with the pipeline is how the flow valve to the top works.

The low numbers of women on boards as well as in CEO positions may well demonstrate this point. In 2012 women made up just 4.2% of CEOs in Fortune 500 companies and 3.2% of chairs/presidents in large listed EU companies.[57] Researchers from Catalyst say that women aren't the problem; the corporate career path favors men. In a 2012 report, researchers took on the myth suggesting that the gender gap in leadership persists because of women's actions and choices.[58] They found that although women do "what they have been told would lead to advancement," these practices instead keep women far behind their male peers.[59] The authors faulted biases in corporate culture, arguing for institutional chances to correct the gender imbalance.

"Stuffing the pipeline is not enough," says Katherine L. Milkman, Assistant Professor at Wharton Business School.[60] In their research on law firms, Milkman and her co-author Kathleen L. McGinn of the Harvard Business School found that for women and minorities what enhances junior professionals' career mobility is higher proportions of same-sex and same-race supervisors.[61] Workplaces biases can also affect women disproportionately in executive promotions.[62] A 2009 Catalyst study found that core components of management, from senior leaders through HR policies, disadvantaged women. Male-dominated senior leadership tends to replicate itself in young executives, creating a gender cycle that excludes women in senior management. Institutional bias also stymies women's careers – when too few checks and balances exist to minimize gender biases, companies open "the process to the negative effects of gender stereotyping and hinder opportunities for women's advancement, especially women in male-dominated positions and industries."[63]

In a recent Harvard Business Review article, Whitney Johnson and Tara Mohr succinctly summed it up: "The very skills that propel women to the top of the class in school are earning us middle-of-the-pack marks in the workplace."[64] In education arenas, set up as meritocracies, women excel according to the rules – studying hard, preparation, and advancing through carefully set levels works for women who are rewarded by good grades.[65] Post-graduation, knowledge and skills become almost secondary as a different set of factors frequently contribute to career advancement in male-dominated networks and institutions.

The pipeline for advancing women is effectively busted, according to Catalyst. A 2010 survey of 4,143 women and men who graduated from full-time MBA programs and worked full-time found that women lagged behind men in career advancement, from the very beginning of their careers.[66] Women's salaries were on average $4,600 lower and, after starting behind, women didn't catch up. Men were two times more likely to be at senior management levels, reported higher levels of job satisfaction, and were less penalized for alternative career choices than were women.[67] Researchers found that aspiration and parenthood did not factor into promotions, as women aspired to the same positions as did men, and outcomes were similar when comparing childless men and women. After receiving the study results from Catalyst, many executives were astonished. James S. Turley, Chairman & CEO, Ernst & Young LLP, said: "Companies have been working on this, and I thought we'd seen progress. The last decade was supposed to be the 'promised one' and it turns out that it wasn't. This is a wake-up call for corporations," said Turley.[68]

Databases: Global Board Ready Women

Databases offering diverse candidates' profiles have become a pipeline alternative. One example of this is the Global Board Ready Women project, launched by the European Business Schools' Women on Boards Initiative in December 2012.[69] Boasting an impressive 8,000 woman-strong database, this online search engine was motivated by the push to include more women in the boardroom. Viviane Reding championed the initiative: "I often hear the argument that there are not enough qualified women to occupy positions in the boardroom. Today European Business Schools and their colleagues around the world are shattering those myths as well as glass ceilings!"[70]

The Financial Times Non-Executive Directors' Club will administer the database via LinkedIn. Women profiled in the database have been vetted by the European Business Schools/Women on Board initiative, which means they have a skill set of five years' experience in areas corresponding with non-executive board positions in publicly listed companies. The women featured have experience in one or more of the following positions:

- Chair and/or NED of listed/private corporations;
- CEO, COO, CFO or other C-suite exec/director level in listed/private corporations;
- Family member and controlling shareholder of boards in large family companies;
- Director of government agencies or Director of non-profit organisations;
- Institutional investment community senior professional;
- Professional firms senior partner serving boards and their committees as clients;
- Entrepreneur;
- Senior academics with relevant experience.[71]

Numerous universities sponsor the database, such as Harvard, Yale, UCLA, UC Berkley, Oxford, Cambridge, The London Business School, Insead, and IMD.[72]

Conclusion

Quotas have ushered women into the top echelons of business in many countries. Alternative options, such as corporate governance codes and company policies, are also at work to increase women's presence on boards around the globe. Quotas are often viewed as a panacea for male-dominated management. Some believe quotas will function much like the trickle down theory of economics, which holds that more women at the top means that equity, in this case, will filter down through the ranks to the lowest wage levels. At present, there is little evidence suggesting that more women on boards leads to a rise in women in c-suite positions. In the Norwegian case, however, without quotas gender parity in the boardrooms would have taken nearly 200 years to achieve.[73]

Notes

1. Note that percentages of women on boards will vary, depending on data collections used by researchers. Thus we have cited below where figures are drawn for readers to independently follow sources.
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Gender Diversity and Corporate Governance

Magnolia Sexton and Althea Koburger

- In this section, we focus on the emergence of quota alternatives through corporate governance protocols that promote accountability and transparency around gender in employment, management and on corporate boards. We focus on Finland and Hong Kong as case studies.

Introduction

Around the world many have come to recognize the massive store of talent, ideas, education and leadership that goes untapped when diverse markets are led by a homogenous elite. Despite the fact that women comprise half the world's population and outpace men in tertiary education in over 80% of upper and upper-middle income countries, women carry far less than their fair share of influence in the global workforce, particularly in management.[1] The gap between ability and position originates in the gender segregation within and among the sectors, occupations and levels of responsibility available to women.[2] This inequality has not gone unnoticed and a growing body of research builds a convincing case for the many benefits of gender diversity in business leadership.[3] There remains a disconnect, however, between research and realization of gender equity in business leadership.

Most of the conversation regarding gender equity in business leadership is currently focused primarily on corporate board directorships. Since 2003, when Norway legislated a gender diversity quota for the boards of all publicly listed entities, the debate concerning government quotas or free market self-regulation has raged.[4] From this debate, a wide range of solutions has emerged and continues to evolve (See Fig. 1). Following Norway's example, some countries, including France, Belgium and Italy, have mandated binding diversity quotas that include sanctions for noncompliance and apply to all listed companies or companies over a certain size.[5] Others, such as Finland, Ireland and South Africa, have passed legislation that only applies to state-owned entities.[6] Some countries have legislated non-binding quotas. For example, in 2007 Spain passed legislation mandating a 40% gender diversity quota for boards of large companies, but instead of leveling sanctions for noncompliance, Spain incentivizes cooperation through diversity awards.[7] The Netherlands set a 30% quota for both executive and supervisory boards of large corporations, but only requires noncompliant companies to disclose why they have not met the quota.[8]

The government-mandated strategy remains controversial. Corporations, stock exchanges, and many governments would prefer to see progress without government intervention or rigid quotas.[9] Some markets have turned to corporate governance codes to achieve this goal. The Organisation for Economic Cooperation and Development (OECD), defines corporate governance as the:

> Procedures and processes according to which an organisation is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation – such as the board, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision-making.[10]

Corporate governance codes can be set by corporations, stock exchanges, securities markets, regulatory associations, independent market regulators, international economic organizations, government agencies, or an association that combines such entities. Corporate governance codes are not usually mandated by law and are typically framed as a series of 'recommendations,' though codes set by stock exchanges are frequently tied to listing requirements.[11] Such requirements vary in stringency: some require all listed entities to comply or else face fines or delisting, while others give the option to either comply or publicly explain noncompliance in their annual report.[12]

Figure 1: Board Gender Initiatives by Country

Country	Government Legislation	Corporate Governance	Gender Diversity Requirement	Quota	Enforcement	Sources
Australia	2011	2011	Corporate diversity policy and disclosure	No	Comply or explain	1, 2, 5, 6
Austria	2011	2010	State-owned companies: 25% quota by Dec 2013; 35% by Dec 2018. Publicly listed: Increase proportion of women on boards; quota/targets undetermined.	State: yes Public: no	Mandatory	3, 4, 5
Belgium	1990, 2000	2009	1/3 of board members must be of the other gender than the majority	Yes	Mandatory	1, 2, 3, 4, 5
Denmark		2010, 2011	Genders should be balanced equally in state-owned companies. Pubicly listed companies are encouraged to set targets to increase gender equity.	State: yes Public: no	State: mandatory Public: comply/ explain	3, 4, 5
European Union	2004		None yet, but supports EU-wide mandated quotas if member states cannot accomplish targets individually	No		1, 2, 5
Finland	2010	2003, 2008	State owned entities: women must occupy 40% of board seats Publicly listed: At least 1 of each gender on every board	State: yes Public: no	State: mandatory Public: comply/ explain	3, 4, 5
France		2010	Boards of traded companies should be 20% women within 3 years, and 40% women within 6 years	Yes	Mandatory	1, 2, 3, 4, 5
Germany	2000	2010	For Board appointments: respect diversity, consider women candidates, set gender diversity objectives for board composition.	No	Voluntary	1, 2, 3, 4, 5
Greece			30% gender diversity for state appointees to state-owned companies	Yes	Mandatory	3, 4
Hong Kong	1993, 2007	sept.13	Future requirement: Corporate diversity policy and disclosure	No	Unknown	1, 2, 5, 6
Israel	2011		State owned companies must have adequate respresentation of both genders on boards; 2007 ammendment set 50% quota	Yes	Mandatory	1, 5
Italy	2005, 2010		30% diversity quota; Must consider gender, among other things, in board selection process	Yes	Mandatory	2, 3, 4, 5
Japan			2005: Set goal for 30% of management positions in all sectors held by women by 2020. 2010: Clarified targets and deadlines.	Yes	Required, but not currently enforced	1, 5
Luxembourg	2011	2009	Recommends "appropriate" representation of both genders on all boards	No	Voluntary	3, 4, 5
Malaysia			Listed companies must have 30% genderdiversity in the boardroom by 2016	Yes	Mandatory	2, 5, 6
Morocco	2011	2008	Diversity, including gender, should be present in management board composition	No	Comply or explain	1, 5
Netherlands	2003	2008	Recommends 30% gender diversity on big boards; Aim for gender and age diversity on boards, disclose policy and efforts	No	Comply or explain	1, 2, 3, 4, 5
Norway			Up to 40% quota, depending on size of board; Consider gender equity in board composition	Yes	Mandatory	1, 2, 3, 4, 5
Poland	2004	2010	Recommends balanced proportion of men and women on boards and in management positions	No	Voluntary	3, 4, 5
Slovenia	1996		40% quota for government representatives and management in state-owned companies	Yes	Mandatory, but no sanctions for noncompliance	3, 4, 5
South Africa	2007		Consider whether board size, diversity and demographics contribute to effectiveness	No	Comply or explain	1, 5
Spain		2007	Scale up to 40% women by 2015; Diversity of knowledge, experience and gender on boards; recommends nominating female independent directors	No	Comply or explain	1, 2, 3, 4, 5
Sweden		2004	Goal of gender parity in board composition for listed companies	No	Voluntary	3, 4, 5
United Kingdom		2010	Voluntary diversity targets; Board selections should be merit-based and with consideration of the benefits of diversity, including gender, in the boardroom	No	Comply or explain	1, 2, 3, 4, 5
United States		2010	Disclose whether or not there is a diversity policy for board selection	No	Voluntary	1, 2, 5

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Since corporate governance codes regulate 'the rules and procedures for decision making,' including corporate board composition and selection procedures, they have proved a useful tool for introducing gender diversity policies. For example, stock exchanges in Australia, Sweden, and Hong Kong have implemented corporate governance recommendations to increase board diversity in corporations listed on their exchanges.[13] This approach allows flexibility and self-regulation for both the entity setting the code and the corporations that fall under it to a degree that government legislation does not. In the UK, following the influential Lord Davies Report in 2011, the London Stock Exchange (FTSE) modified its Corporate Governance Code to recommend that listed entities disclose the composition of their boards and evaluate how diversity contributes to the board's effectiveness.[14] Some countries, like Finland and Denmark, take a two-pronged approach, pairing legislated quotas for state-run entities with corporate governance recommendations for all other listed companies.[15] As evidenced by the many countries addressing gender diversity in the boardroom, the conversation regarding gender parity in business leadership is gaining global momentum. The diversity of national contexts, approaches and stages currently under way make this an interesting time to examine various corporate governance methods, results and lessons learned. In light of this, we now present two case studies - Finland and Hong Kong - where corporate governance codes have been used to increase the number of women on boards.

Country Profile: Finland

In 2003 Finland was the first nation in the world to mention gender diversity in its Corporate Governance Recommendations.[16] At the end of 2012, women held 22% of all board positions and gender-diverse boards managed over 85% of Finland's listed companies.[17] This success has not gone unnoticed - many look to Finland as the example to follow in gender equality on boards, particularly for those who wish to avoid mandatory quotas. The OECD praised Finland for being a "cohesive and equitable society," standing out among member countries "as an innovative economy, with a highly skilled workforce and a highly admired education system."[18] In 2011 Finland served as the single case study for the European Parliament's resolution supporting the possibility of issuing quotas to member states that fail to make adequate progress towards gender diversity in the boardroom.[19] Finland also placed second on the World Economic Forum's 2012 Global Gender Gap Report, which described it and the other Nordic countries as "models" in gender equality.[20]

In just ten years, Finland tripled the number of women on corporate boards, which was no small feat for the world's 36th largest economy.[21] With a GDP of just over $263B, Finland relies heavily on trade, which has taken a blow during the ongoing global recession.[22] Exports from primary production (forestry, mining) and manufacturing (engineering, telecommunications and electronics equipment) comprise as much as 60% of all exports, while the manufacturing industry requires massive imports of non-native raw materials.[23] Research and development (R&D) is also important to the Finnish economy and workforce. In 2010 nearly 4% of the GDP went to R&D, one of the highest rates in the OECD, and almost 2% of all employed personnel are full-time researchers.[24] Prior to the global economic downturn Finland had one of the highest performing economies in the EU.[25] In early 2009, however, despite solid domestic demand and sound fiscal policies, the Finnish economy lost 10% of its GDP in the first two quarters - one of the worst losses in the Euro zone.[26] Prior to the recession the trade balance was still positive: exports accounted for almost 47% of the GDP and imports cost 43% of those gains.[27] In 2009 exports fell nearly 10%.[28] The country is slowly on its way to recovery.

Gender in the Workforce

Equity, including gender equity, has long been valued in Finnish society, from governance and the workforce, to education and family life.[29] In 1906 Finland became the first country to legislate unrestricted voting rights for women.[30] Since then, women have maintained a strong presence in public service, today holding over 42% of positions in parliament, and half of government ministerial positions.[31] From 2006 to present, Finland has ranked among the top three on the World Economic Forum's Gender Gap Index.[32] Women currently comprise 49% of Finland's total population (5.39 million), and 49% of the workforce.[33] In 2011, Finland's female employment rate was 67.6%, 11 percentage points higher than the OECD average, and female part-time employment was at 13%, compared to the 17% OECD average.[34] The nation maintains a 99% literacy rate, 98% enrollment in primary education, and 94% in secondary education - with no gender gap whatsoever.[35] Women lead the way in tertiary education with a 1.22 female-to-male ratio.[36] Finland's outstanding educational attainment fuels a highly skilled and gender-equitable workforce, and both the Finnish economy and society benefit from strong initiatives to help parents balance careers and family. Finland's family-friendly work culture, including generous paid parental leave policies, financial incentives, and subsidized pre-school until children enter primary school, deserves a great deal of credit for women's strong presence in the labor market.[37]

The gender wage gap in Finland is relatively narrow, with a female-to-male earning ratio of .77, significantly better than the .64 global average.[38] The OECD partially attributes the persisting gender wage gap to career setbacks and reduced employment experienced by mothers who spend more than two years outside the workforce to raise children.[39] Employment segregation exists in the Finnish labor market in terms of sector and status. Only 10% of women work in industry, whereas 88% work in the service sector.[40] In contrast, approximately 36% of men work for the industry sector, and 58% are employed in the service drvtor.[41] Within the service sector, women are particularly concentrated in education, health and social services occupations.[42] In terms of vertical segregation, as leadership responsibility increases, the percentage of women holding positions decreases.[43] In 2000, not one major Finnish company had a woman on its board.[44]

Legislation and Recommendation: A Two-Pronged Approach

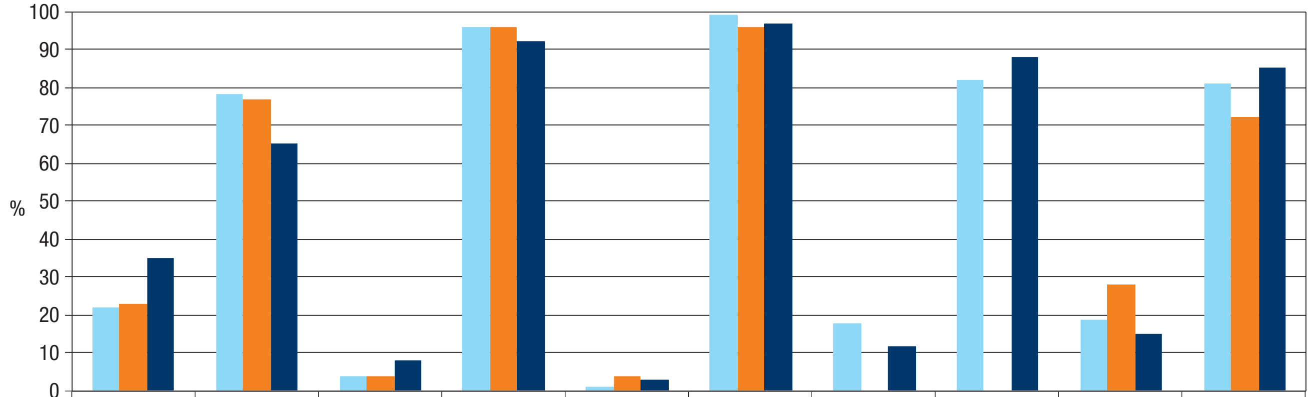
In 2003, Finland published the world's first corporate governance recommendation to mention gender diversity in board composition.[45] Though this initial step did not concretely recommend or require listed entities to select women for board positions, some companies were nonetheless inspired to act, and at year's end women held 7% of board seats.[46] In 2004 the Finnish government triggered further action by setting a 40% target for women directors on the boards of all state-owned companies, regardless of size.[47] Although it was not a binding quota, two years later the firms reached the target.[48] Meanwhile, with the help of strong media backing, the national discussion on gender diversity in business leadership was gaining volume and support in both the public and private sectors.[49]

In 2008 more changes occurred due to growing governmental pressure. Rather than risk government-mandated quotas, Finland's Securities Market Association (SMA) published an updated Corporate Governance Code requiring all listed entities, regardless of size, to have both genders represented on their boards or to publicly address and explain noncompliance.[50] By the end of that year, women held 12% of board directorships and were represented on over half of all listed entities.[51] Many companies that failed to adopt the recommendations attributed their noncompliance to a lack of board-qualified women.[52] According to a report by the Finnish Chamber of Commerce, however: "When more women have worked as board members, more local candidates are found for board positions. It seems that when business leaders get used to the idea of having female directors they start to identify potential women candidates more easily."[53] By the end of 2009, almost 60% of corporations had at least one woman on the board, with 14% of all directorships belonging to women.[54] A year later the SMA renewed the Code with no change to the gender diversity recommendation, and women's presence on Finnish boards continues to grow.[55]

Beyond the Boardroom

Improved gender equity on Finnish corporate boards speaks to the success of both the government and stock market initiatives, but it would be a stretch to extrapolate that to real or lasting change in the larger Finnish corporate culture. Outside the boardroom Finland's progress towards diversity in business leadership is less promising. Until 2011 not a single large company ever elected a woman to chair the board.[56] Today, out of all listed entities, only five are chaired by a woman.[57] In the past ten years there has been no significant progress in the number of women serving as CEOs or other top management positions.[58] Currently only one listed corporation is led by a woman CEO.[59] In 2012, women held 19% of executive management positions (not including CEO positions) among listed Finnish companies, but most are in support positions, particularly human resources and communications.[60] In the same year, women held less than 5% of all executive management positions of business operations.[61] This is significant because CEOs are selected for their experience in business operations rather than support, and board members are frequently selected from among CEOs.[62] Gender parity at the top levels of corporate leadership cannot become a reality until there is increased parity throughout the

Figure 2. Gender Equity in Business Leadership in Three Nordic Countries.



	Female board members	Male board members	Female chairmen of the board	Male chairmen of the board	Female CEOs	Male CEOs	Female CFOs	Male CFOs	Female executive management team members	Male executive management team members
Finland	22	78	4	96	1	99	18	82	19	81
Sweden	23	77	4	96	4	96	-	-	28	72
Norway	35	65	4	92	3	97	12	88	15	85

Source: Finncham (2012).

entire management pipeline.

Though efforts to change business gender norms are often slow to gain support, high profile advocates, ranging from respected business leaders to political figures, have created a positive climate for continued progress. A strong cadre of non-profit and private for-profit organizations also support increasing the presence of women in business leadership.[63] Some organizations, like the Finnish Chamber of Commerce (FCC), have also launched their own research, advocacy, leadership training and mentorship programs. In 2012 the FCC introduced a pilot mentorship program in which 42 women leaders were paired with top-level executives for a year and a half.[64] In addition to preparing the women for leadership roles, the program turns mentors into advocates who can, in turn, influence selection boards' consideration and appointment of female candidates for leadership positions.[65]

More programs like this are needed to prepare a generation of women leaders who can take on top leadership responsibilities, provide positive examples, win new supporters, mentor future leaders, and affect real change in the culture of corporate leadership. Such programs and publicity also provide positive examples and set the tone for the mainstream conversation regarding gender equity in business leadership.

Country Profile: Hong Kong

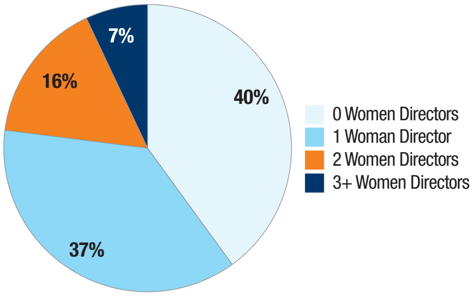
In 2011, Bettina Wassener from The New York Times asked: "Why aren't more women getting ahead in Hong Kong?"[66] Compared to many other Asian cities, Hong Kong has a strong position on women's rights with gender equality protected by law. It has a robust economy, with a workforce of 3.7 million and a GDP of $363.7 billion (by a 2012 estimate).[67] Hong Kong also shows influences from 150 years of British rule in that Western opinions on education and marriage have helped to shape a culture where many of the attitudes casting women into a home-maker role are less prevalent than in more traditional Asian societies. Additionally, Hong Kong is a separate entity from China on economic issues, allowing the city to participate in several economic organizations independently from China, and the region is a strong proponent of free market economics.[68] However, despite Western influence, women are still the primary caregivers in families and often

Figure 5. Percentage of Publicly Listed Companies by Number of Women in Directorships.

Percentage of Hong Kong Listed Companies	Number of Women Directors
40% of listed companies	0
37% of listed companies	1
16% of listed companies	2
7% of listed companies	3+

Source: Yiu, Enoch (2012).

Figure 6. Percentage of Publicly Listed Companies by Number of Women in Directorships



come under great pressure during their 30's to leave work to care for a family.[69] Helena Wong, an expert on gender studies at Hong Kong Polytechnic University, notes: "Hong Kong is where East meets West. On the one hand, women have more opportunities than in many other countries... on the other hand, it's a very conservative, traditional society where gender stereotyping is common."[70]

Gender Imbalance: Society and the Workplace

Unlike mainland China, Hong Kong has a gender ratio skewed towards women. As of 2010, there were only 881 men for every 1000 women - a number thought to be due to an influx of women moving from mainland China and women immigrant workers from abroad.[71] In economic spheres women in Hong Kong, like women elsewhere, earn less money than their male counterparts and hold fewer directorship positions even while surpassing men in the number of college graduates.[72] Hong Konger women hold fewer board seats than do their Western counterparts. Although women are 50.5% of college students and 47.2% of MBA students (higher than the world average of 31.6% for MBA students) they only hold nine percent of directorship positions in Hong Kong's top companies and only seven percent of executive directorships.[73] While the number of women holding directorships is more equitable than in India (5.3%) or in Singapore (6.9%), it still lags far behind the US and Britain (15-16%) and is far removed from Norway, with its superlative ratio of above 40%.[74]

Several factors may converge to explain these figures. Some blame the corporate pipeline through which employees are meant to progress through the ranks for this discrepancy in Hong Kong.[75] Since, even in as liberal an Asian city as Hong Kong, women have only been seen in large numbers in the corporate workplace for a few decades, and some proponents argue that there are simply not as many women as there are men with the right credentials for board positions.[76] These individuals believe that discrimination is not at play, and that this statistic will soon change as women attain progressively higher positions in larger numbers. Others argue that issues like pervasive gender stereotypes, harassment and subjective promotional practices which face women in the UK, Europe and the rest of Asia are equally prevalent in Hong Kong. Kelvin Tin-yau, Chairman of the Hong Kong Institute of Directors, stated: "Women are far less aggressive in the workplace than men and many of them also have to take care of their children and other family affairs."[77] It is unlikely that in the future the pressure placed on women to devote time and energy to home life will diminish. Rather, it is expected to increase, even with a low birth-rate, due to an increasing elderly population (sixth oldest in the world).[78] Thus many companies still consider investing time and resources into preparing women for high-level jobs as a risk. Women who are part of the workforce may also come under pressure to behave in ways male superiors consider appropriately female, in one example, such discrimination driving a woman to quit after repeated pressure to dress in skirts instead of trousers.[79] Thus pressure from social expectations, combined with outdated employment expectations and even outright discrimination, continues to hold women back.[80]

Recent Developments

In 2012, Hong Kong Exchanges and Clearing (HKEx) proposed that companies increase gender and age diversity on their boards.[81] Soon after, the organization stated that as of 1 September 2013, HKEx would require listed firms to have a policy regarding diversity on their boards to be included in corporate governance reports.[82] This measure attempts to stimulate gender equity by making board composition transparent, a bold move from the HKEx, which is itself an "all-boys club" with all 13 directors being men.[83] While this lack of diversity within the HKEx is discouraging, there was considerable approval from investors and market support for this promotion of board diversity, which included BlackRock, Deloitte, KPMG, HSBC and Hermes Equity Ownership among many others.[84] It was due to such strong public support during the consultation period for the change in HKEx governance practices that spurred the final decision, which showed the willingness of HKEx both to elicit public opinion on the issue, and also to begin to make changes accordingly.

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84. 84 Supranote 80.

Gender Certification:

Combating the Gender Wage Labor Gap

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- In this section we will explore gender certification initiatives from the World Bank, the Swiss government, and non-governmental organizations involved in developing pay equity measures.

Introduction

International institutions, governments and non-profit organizations have promoted the concept of gender certification – a method of evaluating gender pay equity in organizations. It aims to eliminate the gender wage labor gap by increasing transparency in hiring practices, salary distribution and promotions. The rationale behind the creation of gender certification is that it will lead to better recruitment of employees, assist in retention of company talent, and appeal to stakeholders and clients who value gender equity. While certification remains a relatively new concept, it has quickly gained momentum and is beginning to earn widespread support among government agencies and businesses. Public authorities often support or initiate labels, and the certification process is typically carried out by experts in the field of gender, such as non-government organizations or specialized consultants.[1]

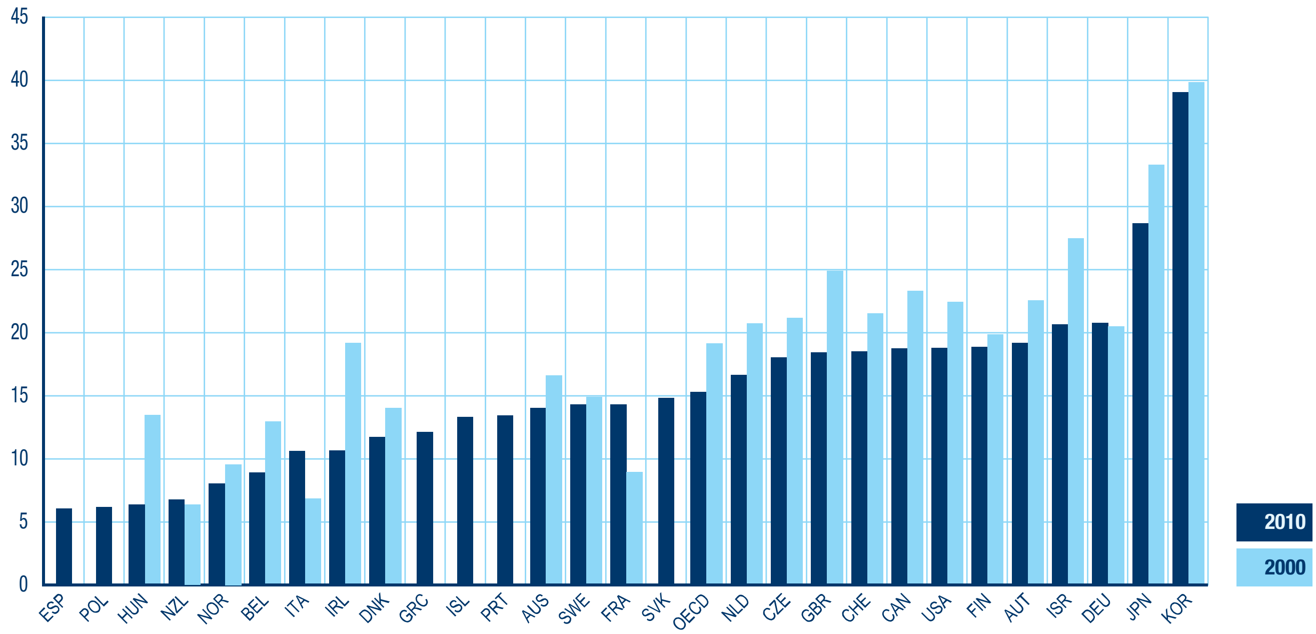
Gender certification is a means-based approach to analyzing firms' employment practices. The certification process typically entails an external review of companies that incorporate statistical analysis of employment data, as well as an audit of company policies and practices. Research tools differ based on which certification process companies use. Some models use a quantitative analysis, while others opt for a mixed-methods approach, using figures alongside qualitative measures for their assessments. Requirements for equality are tailored to fit the needs of firms, and often depend on the size of the enterprise and its public or private status, with larger companies having more strict requirements and public sector entities having slightly different requirements.[2]

Though a voluntary measure, firms interested in gender certification must apply for the certification label and be willing to undergo assessment. Certification can lead to organizational change and continued improvement in gender policies as companies self-assess and are analyzed by experts. However, certification does have costs, and can be time consuming.[3] Once vetted firms pass through a rigorous testing phase, granting agencies issue certificates. Firms that undergo and receive assessment can benefit from public recognition (such as consumer appreciation of social responsibility), better internal relations (higher satisfaction among employees), better recruitment of key personnel (better reputations helps recruit better candidates), innovation and creativity, improvement in human resource policies, and increased networking opportunities.[4] Since gender equality changes frequently over time, many certifications are only valid for a few years. Companies are then asked to reevaluate their practices to ensure continual support of gender parity.

The Gender Wage Labor Gap: A Global Phenomenon

Across the globe, women continue to earn less than men for the same work, which is often called the gender wage labor gap. Variation in the gap does exist across countries, based on individualized labor force characteristics – such as unionization and size of public employment sectors. The gap persists, though, despite legislative initiatives undertaken by many countries to ensure equality in employment. In Organization for Economic Cooperation and Development (OECD) member countries, the latest figures show that men still earn 17.6% more than women in full time employment.[5] Over the past decade, the gap has narrowed noticeably in many OECD countries.[6] Hungary and Poland have the lowest gaps (6% and 10%, respectively) while Japan and Korea have the broadest (29% and

Figure 1. OECD Country Gender Wage Gap 2010.



Source: OECD Factbook. Economic, Environmental and Social Statistics (2013).

39%, respectively).[7] This improvement in pay equity is due to women's increased productivity in the labor force and their gains in access to education, jobs, experience and tenure.

The wage gap is calculated by comparing earnings of women and men employed in the same positions in the same industry sectors, thus having equal labor. By controlling for industry sector variation and personal characteristics, research shows that women still earn less than men for equal work.[8] The wage labor difference is divided into two parts: the first measures the known characteristics that go into wage calculations, as listed above, and the second – the residual or unexplained components – measures the price differences for women and men's labor. Gender bias and discrimination account for the wage differential.[9] Globally, the gender wage labor gap has fallen by more than half since the 1960s, from an estimated 65% to 30% by the 1990s.[10] These improvements reflect increased opportunities for women, mainly in education.

Much of the pay difference between women's and men's salaries is associated with their industry sectors of employment and individual characteristics such as education and work experience. Women tend to be employed in lower wage sectors, such as retail and services, whereas men are employed in sectors with higher wage potential, in areas like finance and heavy industry. Women are also more likely to work in temporary positions and part-time jobs, which affects pay structures and can lead to poverty in retirement.[11] In OECD countries, nearly 25% of women work part-time, compared to 10% of men.[12] Women also temporarily step out of the labor force to assume family responsibilities, while men rarely do. This factors into lower remuneration for women as work experience declines.[13] In industrialized nations, women having children face a motherhood penalty, making less money due to the responsibilities of child care.[14] In the U.S., women at all earning levels who have children suffer a motherhood penalty; this disproportionately affects women earning lower wages.[15]

Researchers debate when pay differentials begin. Some studies indicate that pay gaps are in place from the start of a woman's career, while others indicate that they expand over time. A 2012 U.S. study looked at salaries for

Figure 2. EU Country Differences in Gender Wage Discrimination

	Hourly wage for women	Hourly wage for men	Gender wage ratio	Characteristics percentage*	Prices percentage**	Wage differences with same characteristics
Germany	11.59	14.41	0.80	0.44	0.56	0.11
Denmark	18.01	21.48	0.86	0.78	0.22	0.03
The Netherlands	14.38	17.27	0.82	0.60	0.40	0.07
Belgium	12.83	14.64	0.87	0.36	0.64	0.08
France	9.94	11.99	0.83	0.37	0.63	0.11
UK	12.63	16.04	0.79	0.30	0.70	0.15
Ireland	11.47	13.76	0.84	0.19	0.81	0.12
Italy	9.22	9.77	0.95	-1.01	2.01	0.10
Greece	5.69	6.41	0.89	0.24	0.76	0.08
Spain	7.11	8.14	0.87	-0.01	1.01	0.12
Portugal	4.23	4.27	0.98	9.50	-8.50	-0.17
Austria	10.00	12.59	0.79	0.37	0.63	0.13
Finland	11.54	13.90	0.82	0.18	0.82	0.14

* The percentage of the gender wage difference due to the different human capital endowments.

** The percentage of the gender wage difference due to the different prices received for the same characteristics.

Source: Aláez-Aller, Longás-García & Ullibarri-Arce (2009).

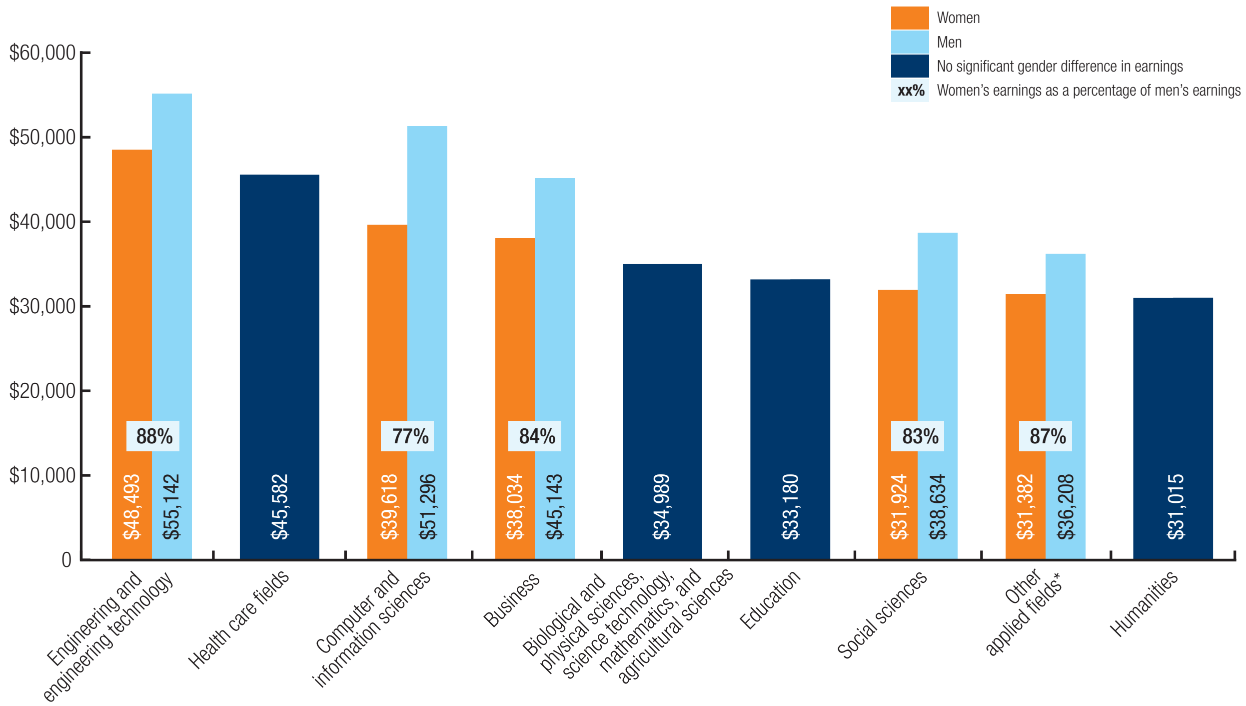
male and female graduates of American universities, one year after receiving their degree. They found that women "graduate to a pay gap," with college-educated women earning less than their male counterparts.[21] Choice in career path and industry sector accounted for only part of the pay variation. One-third of the pay differential was due to bias and discrimination against women. When researchers examined wages of women and men in the same industry sectors, they found that women earned seven percent less than their male counterparts.[22] While some sectors, namely healthcare and education, showed gender parity among salaries, others, such as business, were skewed toward men. Women with undergraduate degrees in business earned on average $7109 less than their male counterparts.[23]

Lower starting salaries have severe long-term consequences for women and their financial security. One study of lifetime earnings found that, in the U.S., women with a bachelor's degree earned less than men with only some college education. More striking was that women with doctoral degrees earned the same as men with bachelor's degrees.[24] A recent UK study found that women working the same jobs as men earned £423,390 less over the course of their careers.[25] These salary disparities affect choices women make, which in turn affects the health, welfare, and financial security of these women and their families. Single mothers can be especially disadvantaged, as the sole income earners in their families.[26] Measures such as certification that work to address the pay gap are essential in assuring that the rights of women are safeguarded against discriminatory employment practices.

The World Bank's Gender Equity Model (GEM)

In 2001, the World Bank created the Gender Equity Model (GEM), a firm certification process enacted with government partnership for the purpose of instituting strong gender equity practices. Established to help women achieve equal opportunity at work and to diminish business and cultural barriers for equality, GEM focuses on four key areas: recruitment, career development, family-work balance and sexual harassment policies.[27] GEM begins with a self-analysis of gender equity and any gaps or imbalances present in their firm.[28] This is followed by an action plan, which is approved by the certification authority, and regularly updated through progress reports. The final step is an audit by government officials which, if passed satisfactorily, results in a two-year certification for the firm. Designed to offer country-specific flexibility, GEM reputedly enhances business performance through increased productivity, efficiency, competitiveness, and enhanced market differentiation.[29] Mexico piloted the initiative, which,

FIGURE 3. U.S. Average Earnings of Undergraduate University Majors by Gender One Year After Graduation.



*Includes architecture, communications, public administration and human services, design and applied arts, law and legal studies, library sciences, and theology and religious vocations.
Source: Hill, C. and C. Corbett. (2012).

due to the success of the program, then expanded to Chile, Argentina, Columbia, Egypt, the Dominican Republic and Turkey.[30]

Mexico: The Development of the GEM Model

Deep gender biases in Latin America prompted the World Bank to design GEM as a means of combating discrimination against women in the workplace. Sexist language, male-dominated industries, and a lack of recognition of women in the workplace are common in Latin America, which creates barriers for women's participation across the labor force. Mexico is no exception, and inequalities between Mexican men and women have led to conflict over stereotyped notions of gender roles.[31] While 50.7% of Mexico's population is female, women make up only 36.7% of the labor force, despite achieving equal enrollment in tertiary education as of 2010.[32] Women and girls are still responsible for most domestic tasks, and boys are even discouraged from helping out at home due to entrenched attitudes about "machismo": such behaviors are thought to jeopardize masculinity.[33]

Partnering with the National Institute for Women (Inmujeres), a government-created, independent organization promoting women's issues in Mexico, the World Bank launched the trial of GEM in 2001. Twenty firms volunteered to participate in the pilot program, with the aim of promoting equity standards in four key areas: personnel and hiring, career development, work-life balance, and prevention of sexual harassment.[34]

The program designers worked directly with firms on a self-diagnostic tool to examine hiring policy, maternity support and the handling of sexual harassment complaints. To assist, training sessions took place on-site for hiring managers and supervisors, helping them learn how to avoid bias in recruitment and be more responsive to the needs of women in the workplace.[35] Upon closure, participating firms reported high levels of both satisfaction with the process and successful implementation of project goals. Some 90% of firms reported that workers' performance and productivity increased after implementing GEM.[36]

Figure 4: GEM 2003 Mexico Results Reported by Firms

Metric Evaluated	Percent of Firms
Improved labor environment within the firm	31%
Better communication between management and workers	23%
An increased number of women in managerial positions	9%
Increased productivity	8%
Reduction in salary gap	8%
Reduction in maternity-related discrimination	8%

Results identified from a quantitative survey administered after the conclusion of the project.
Source: Castro, M. E. (2007).

Incorporating firm feedback, the World Bank modified their gender certification procedures, making it adaptable across industries and countries.[37] Mexico remained committed to promoting gender equity, and almost 300 Mexican organizations gained certification, benefitting some 300,000 employees by 2010.[38] Noticeable improvements came in areas such as pregnancy discrimination, women in managerial positions and work-life balance.[39]

GEM's Continuing Journey

After its successful debut in Mexico, several other Latin American countries adapted GEM to meet their own market needs and cultural specifications. Chile added new action areas promoting equity in job performance evaluation, and Argentina focused on eliminating sexist language in participating companies' public statements and advertising.[40] In 2009 the World Bank launched GEM in the Dominican Republic, focusing on promoting competitiveness of private sector firms.[41] To date, eight firms have completed the self-diagnosis and pre-pilot training in preparation for the implementation of the certification program.[42] Five companies have successfully passed through the first phase of the pilot program.[43]

In 2011, Turkey also implemented a version of GEM, known as the Equal Opportunities Model (FEM), through a partnership between the World Bank and the non-profit Women Entrepreneurs Association of Turkey (KAGIDER).[44] This program represents Turkey's first Gender Certification Program for private sector companies. The pilot program, which is intended to run through 2013, focuses on incorporation of gender equity as an internal business practice to help enhance equal job opportunities.[45] Only around one-fourth of Turkish women work, in the world's 16th largest economy.[46] Nearly half of all Turkish women enter the labor market, but most end up quitting due to poor working conditions or family obligations.[47] Additionally, many women from rural areas lack sufficient education to join the workforce beyond menial positions. In 2011, 3.8 million of the 4.7 million illiterate people in Turkey were women.[48] Beyond the education gap, some studies on women in the Turkish labor force indicate that marriage and motherhood are the primary factors in determining whether a woman continues working, regardless of education.[49] Family and household responsibilities continue to dominate the lives of many Turkish women. There are few preschools or subsidized childcare centers, and the cost for private childcare is prohibitive, forcing many mothers to stay at home once their children are born.[50] Violence against women remains an additional problem, as domestic abuse and forced marriages in low-income areas continue to limit women's abilities to pursue education or work.[51]

At the launching of the FEM program, Robert B. Zoellick, then World Bank President, noted that while Turkey had "seen significant improvements in women's welfare, with the gender gap in primary education virtually disappearing" there was room for improvement, which gender equality could bring as "everybody gains: women, men, families, society as a whole - in Turkey and in the world."[52] Currently, twelve pilot firms are participating, and national expansion is expected in the course of the program.[53]

Swiss Initiatives

The Swiss government has encouraged gender wage assessments since as early as 1996. Switzerland, like its EU counterparts, has legislated gender equality as a right, and is working toward achieving salary parity.[55] While advances have been made, equal pay for equal work remains elusive. In 2010 Swiss women earned an average 18.4% less than men.[56] Switzerland has several public and private organizations that offer gender equality evaluations.

Public Initiatives

The Swiss Federal Office for Gender Equality (FOGE) is a government agency that provides expertise on gender issues to policymakers and courts, and promotes professional information and ideas on equal rights at home and abroad.[57] FOGE offers the Logib Program, a free online software program that is an equal pay self-assessment tool for firms.[58] Step-by-step instructions help firms input data, which is then calculated to determine pay parity. Guidelines indicate shortcomings of the program; for example, it can only evaluate companies with more than 50 employees and in only relatively broad categories of assessment. For more in-depth investigations, FOGE recommends some of its sponsored projects, such as Equal-Salary initiatives.

The Swiss government requires respect for equal pay in its public procurement system. Federal administration contracts are only awarded to suppliers that guarantee equal pay for equal work.[59] FOGE is authorized to verify that companies receiving procurement contracts comply with the requirement of pay equity. Since 2006, FOGE performs up to five random inspections a year of contracted companies. If firms are non-compliant with equal pay, they are given time to prove pay parity, during which they are disqualified from applying for further contracts. Through this mandate, the government attempts to ensure equal treatment for men and women.

Non-Governmental Initiatives - Equal-Salary

In 2005, one non-profit organization, Equal-Salary, pioneered a gender certification program for Swiss companies.[60] Véronique Goy Veenhuys founded Equal-Salary with a vision of closing the gender wage labor gap. Sponsored by FOGE, Goy Veenhuys and her team collaborated with experts at the University of Geneva to create a mixed methods approach to measure gender equality in the workplace.

Designed for companies with more than fifty employees, Equal-Salary's assessment is divided in two phases. The first part is a statistical analysis of the company's salary data, which uses the company's salary policy to determine whether the wage policy is fair and equitable. The wage level of each employee can be broken down according to personal attributes such as education, experience, seniority, and job function, among other indicators. If analysis reveals that the difference between the salaries of men and women is smaller than five percent, the certification process proceeds with an audit. If not, Equal-Salary recommends that the company correct its salary policy and re-apply for certification at a later stage. The second phase consists of an on-site audit that focuses on the company's management policy on salary equality and its implementation into the human resources process. Employees are interviewed both online and during the audit to evaluate their perception of the company salary policy.

Companies meeting the requirements are awarded a three-year equal-salary certification label. Ten out the 19 companies evaluated by Equal-Salary have received certification and include, but are not limited to, the World

Economic Forum, Bank of Canton Valais, and the City of Fribourg.

The Gender Equality Project

Another Swiss non-profit, The Gender Equality Project (TGEP), offers a global certification process in gender pay equity.[61] In January 2011, Nicole Schwab and Aniela Unguresan launched their TGEP initiative with the goal of transforming workplaces so that both women and men can reach their best potential through gender pay equality. The TGEP certification process is based on an examination of five areas within a company: equal pay for equal work, recruitment and promotion, training and mentoring, work-life balance, and company culture.

The assessment provided is both qualitative and quantitative, and includes gathering company statistics and policies, administering a survey to and interviewing employees, and conducting a pay gap analysis. This approach, according to TGEP, allows for a comparison of information from different sources at different levels of the organization, and for identification of gaps in that information. Multinational companies, including Alcatel-Lucent, BC Hydro in Canada, the Coca-Cola System in France (Coca-Cola France and Coca-Cola Enterprise), Ogilvy & Mather, L'Oréal, Pfizer Inc. and PwC Germany, worked with TGEP in a pilot phase to assess and streamline the certification methodology.[62] Key metrics highlighted in this assessment methodology include the gender composition at different levels of the organization, the gender pay gap, and employees' satisfaction regarding their company's performance in offering men and women equal opportunities. The project founders believe that achieving this certification will allow companies to proactively manage gender diversity and demonstrate a long-term commitment to improving gender equality in the workplace. In February 2013 TGEP named the certification program EDGE, reporting a customer base of 15 large organizations spanning 18 different countries.

Conclusion

The advantages for firms receiving certification are numerous, including leveraging employment strategies in recruitment and retention of talent, attracting new investment, and promoting firm reputation. In competitive sectors looking for an edge, certification provides transparency and legitimacy in employment practices that appeals to the workforce as a whole, helping to attract top talent and retain female employees. The certification programs covered here are voluntary measures that firms can use to assure gender equity in the workplace.

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Gender Lens Investing:

Financial Markets as Drivers of Social Change

Althea Koburger and Michelle Kelso

- In this section we will look at ways that investments can drive changes in gender diversity, and examine the work of the Criterion Institute in promoting gender lens investing (GLI).

Introduction

As gender equality has gained ground as an instrument for economic and social development, women's rights, educational attainment, health outcomes and labor force participation have improved around the world.[1] Over the past ten years in education, for instance, female primary and secondary school enrollment has grown faster than male enrollment in the Middle East and North Africa, South Asia and Sub-Saharan Africa.[2] In some 45 developing nations, more girls than boys now attend secondary schools.[3] As of 2008 university enrollment growth was stronger for women than for men all across the world, even in many developing countries. In Tunisia, for example, women made up 59% of the students enrolled in university in 2008.[4] Over the last 30 years, over half a billion women entered the world's labor force, such that women now make up 40% of the labor force.[5] International institutions such as the United Nations, the World Bank, the European Union, various regional development banks and numerous others actively promote the idea that the pool of talented women represents a source of great global economic potential.

These achievements have coincided with an increased interest in the benefits of women in top leadership positions in firms. Recent studies on collective intelligence have linked gender diversity to higher group intelligence and better decision-making.[6] Studies on leadership skills note that women score higher than men on many criteria that define a good leader, and an increasingly strong business case is being made that female participation on boards brings multiple benefits in areas ranging from corporate governance to financial performance.[7] With a growing cadre of women prepared and ready to assume leadership roles, many advocates expected that firms would promote greater numbers of women leaders. However, while women across the globe comprise almost half of the workforce, top positions continue to be held mainly by men.[8] The movement to advance women in senior management positions has spread to investment initiatives as well.

The Gender Lens

The concept of gender lens investing is based on three "lenses" through which gender may be analyzed when making investment decisions. The first lens is that investments help women gain access to capital, such as by directing funds to women entrepreneurs.[9] The second lens focuses investments towards private sector companies with leading gender policies and which have strong female representation in leadership, promoting gender equity in the workplace.[10] The third lens uses investments to direct capital to socially responsible businesses that provide goods and services that benefit women.[11] These three lenses can garner not only social equity, helping philanthropic organizations allocate their funds responsibly, but they can also assist investment firms in identifying investments with the competitive advantage of gender diversity.

Increasingly as companies become aware of the benefits of gender balanced leadership, some global investors such as Pax World, Calvert and Walden Asset Management go beyond simply putting women on boards by advocating for investment in women and gender equitable firms. Joe Keefe, President and CEO of Pax World, believes that women are worth investing in “because companies that advance and empower women are, in our view, better long-term investments.”[12] Keefe further commented that there is a growing consensus that the status and role of women in a firm is an excellent indicator of growth potential - that the best companies take advantage of the contributions of not half but all of the talent at hand.[13] Indeed, women start new businesses today at twice the rate of men, achieve 20% more college degrees than men and are responsible for 83% of consumer purchases.[14] Understanding these factors, Pax World actively encourages companies in their portfolio to enhance their performance on gender issues, which included a “say no to all-male boards” campaign in 2011.[15]

As a member of the 30% Coalition and promoter of gender lens investing, Pax World Investments along with Calvert and Walden Asset Management (together managing over US$73 billion in assets) have championed the cause of increasing the number of qualified women on boards and in senior management positions.[16] These global investors believe that such firms will provide greater returns in the long run by leveraging those benefits attributed to gender balanced leadership such as better risk management, more creativity in decision-making and even better financial performance.[17] However, gender lens investing as a movement goes beyond allocating investment funds to firms with excellent gender policies.

Proponents of gender lens investing also want to stimulate access to capital for women entrepreneurs, and invest in products and services that benefit women by directing capital to socially responsible businesses.[18] This three-fold view of investing acknowledges that gender balance is beneficial not only to companies, but it is also socially and economically beneficial for a robust economy. This is closely linked to the idea of the “gender dividend,” linking women’s roles both as workers and as consumers.[19] Women make over 80% of spending decisions, and the reallocation of their earnings has a significant impact on the economy. For instance, women reinvest 80% of increased earnings in health, education and nutrition for their families as compared to 40% for men. The empowerment of women through leadership roles and increasing their earning potential can help them create change in the global economy in turn.[20] Heidi Soumerai, Senior Vice President and Director of ESG Research at Walden Asset Management, stated: “simply put, in the U.S. and globally, we believe that equitable and inclusive work environments are good for society, good for the economy and good for business.”[21]

Gender Lens Investing in the U.S. Market

Since the economic downturn began in 2008, many U.S. companies are evaluating their future path. Investors seek greater transparency, better risk management and stable growth.[22] Companies now debate which business practices are most beneficial, and some have begun focusing on changing established beliefs that may have outlived their relevance, such as the “old boys” network of doing business that has excluded promoting women in leadership positions.[23] At the same time that this shift in perspective took hold, there has been an outpouring of data supporting more diversity in leadership teams. The plethora of studies edifying the benefits of gender diversity on boards and in top leadership positions has restructured how some companies assess their corporate structures and investments. And while this understanding has, for many, taken too long to affect true gender equity on boards, investors are increasingly making gender diversity on boards a priority.[24]

One investor driving diversity investment is the California Public Employee Retirement System (CalPERS), which is the nation’s largest pension fund boasting $200 billion in market value.[25] CalPERS is committed to diversity at all levels, working with their suppliers and with external investments to achieve this.[26] By using gender diversity as a factor in investment selection, CalPERS invests with partners that strive for sustainable value.[27] Rob Feckner, President of the CalPERS Board, said: “companies can no longer compete in the changing global marketplace by staying with the status quo.”[28]

The creation of databanks with qualified individuals is one way for firms to recruit new talent among diversity candidates. Along with CalPERS, the California State Teachers’ Retirement System (CalStrs) and GMI Ratings (an independent provider of corporate governance ratings) partnered together to create the Diverse Director DataSource (3D).[29] The database was designed to assist firms with diversity outreach in gender, ethnicity and age by allowing them access to a pool of qualified candidates. As stated by CalPERS senior portfolio manager Anne Simpson, "3D is an innovative resource that opens the door to finding candidates whose fresh ideas and new perspectives can help companies generate lasting, sustainable value and provide a check against the kind of 'group think' that played a significant role in the financial crisis."[30] While the California-based initiatives indicate how investors can push for diversity, it is unclear if the rest of the U.S. will ride the Californian wave.

The Criterion Institution

One group, the Criterion Institution, promotes specifically gender lens investing. Initially founded as a consulting business in 2002 by Joy Anderson, Criterion is now an American non- profit that works at the intersection of markets and systems change. Criterion's core philosophy is that finance, as a social change tool, has power to drive large-scale impact and address pressing economic issues.[31] The organization runs a set of initiatives to reshape market systems, each of which explores an opportunity to fundamentally shift how those systems work with a goal of creating a world in which market systems work better for the people they are meant to serve.

By bringing in a gender lens, Anderson and her team are re-imagining what capital markets could look like. She envisions a world in which analyzing gender dynamics when making an investment decision is as normal as things like looking at political stability or considering competition in an industry. Anderson believes this will change how financial markets value women and girls. "At the root of both gender and finance is something about the idea of value. The challenge that we have every day in this initiative is connecting these two worlds. But, that is exactly where we see opportunity," said Anderson.[32]

Criterion's central program is Women Effective Investments, which works for change through three interconnected strategies:

1. Increase Demand by growing the number of wealth holders who seek to invest with a gender lens.
2. Cultivate Supply by encouraging and equipping funds to incorporate a gender lens, as working both supply and demand accelerates progress.
3. Build the Field of organizations and leaders who see gender lens investing as core to their work by increasing the infrastructure necessary to sustain development.[33]

Over the past three years, this initiative has connected with over 3,000 individuals and aligned with 75 organizations. The project aims over the next few years to launch a series of dialogues on gender lens investing, expand the network of discussants through a strategic media campaign, and among other plans, develop, with its partners B Lab a means of incorporating gender into impact assessment metric. Since 2010, Criterion reports over a dozen managers incorporating a gender lens into their portfolios clientele, and counts over $100M in investment capital that adopted a gender lens in 2012 alone.[34]

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From the Field:

Leaders in Gender Equality Initiatives

Michelle Kelso

- In this section we will look at examples of company programs and movements working to increase the number of women in corporate leadership. Niamh Cummings (30% Club) and Nia Joynson-Romanzina (Swiss Re) also address gender diversity initiatives.

Introduction

Companies can and do set their own voluntary diversity policies around hiring, pay equity and promotions, including board appointments. Sometimes these endeavors have been prompted by government backed efforts, such as the Lord Davies Report in the UK, which asked FTSE350 firms to set their own gender targets for women on boards. Other entities have been trendsetters in gender development for decades, or may have more recently realized diversity dividends. Still yet, peer pressure and reputation can drive diversity changes as firms compete with one another for talent and ideas in competitive economies. Internal programs can range from recruitment in hiring, to mentoring programs, to promotion of women at the top.

Increasingly companies look to diversity to give themselves a competitive edge. André Wyss, CEO Novartis Pharmaceuticals Corporation, puts diversity as one of the company's business goals. "[We] are committed to doing what's necessary to attract, retain and motivate the diverse talent we need to succeed now and in the future," said Wyss.[1] "Now more than ever, our customers and patients we serve are counting on us for innovative breakthrough medications." Research indicates that diversity policy performances excel when CEOs are at their helm.[2] CEOs can assist diversity management by divulging diversity-related information to employees and company boards.[3] They also boost compliance by meeting regularly with the diversity executives, and by posting a diversity statement on the company website and in other corporate materials.[4]

Company Initiatives

Recruitment

One key initiative, especially in industries where women have had lower representation traditionally, focuses on the hiring process. For example, The Royal Bank of Scotland (RBS) recently changed its recruitment efforts to include more women after a 2009 external assessment revealed that the bank recruited a disproportionate number of men.[5]

Findings revealed that the discrepancy was possible due to terminology and testing methods that supported "an unconscious bias towards more typically male patterns of behaviour."[6] Moreover, women were not well represented on assessment panels, and this pointed to an unbalanced approach in hiring policies. To rectify this, the bank implemented programs such as university outreach where female role-models in the industry spoke with students to encourage female candidates to apply. Since 2009, graduate applications from women in the US and Europe have increased by 28%, and new hires among women graduates increased 5% in EMEA and 32% in the US.[7] Internal gender targets were set to help "leverage the increased female pipeline" and that"gender demographics at the vice-president level are already being positively influenced by the focus on graduate recruitment in 2009."[8]

Equal Pay

Pay equity is another area where companies can internally regulate for gender parity. For nearly 30 years, IBM has conducted annual salary audits to ensure equal salary for equal work among its employees.9 If inconsistencies are discovered based on gender rather than performance, corrections are made to grant equitable pay. In addition to monitoring for equal salary, IBM has an increasing number of women leaders. Women comprise 27% of senior managers, 23% of corporate executives, and 17% of board members.10 In 2012, IBM was one of *Working Mother's* Top 10 best companies for leadership in creating family-friendly policies and work environment.

In 2008 French multinational bank Société Générale, which employs some 160,000 people in 77 countries and serves 33 million clients, evaluated employee salaries to assess whether women and men in the same jobs earned equal pay. When results indicated a gender discrepancy unjustifiably favoring men, the bank budgeted €5.5 m to women employees to correct these inequities from 2008 continuing into 2013. Luz Helena Rojas, Director, HR Strategy and Employer Brand for the firm, said that the compensatory increases occurred during a time of financial difficulty because the bank "wanted to make employees feel they are important to the company."11 Société Générale also realized it had a structural program with gender in hiring and promotion, according to Rojas. By changing its organizational culture, the bank now recruits more women, has instilled flexi-work policies, and runs trainings and women's networks to ensure more equitable gender promotion.

Company Diversity Programs

Some firms establish their own diversity programs to reach out to traditionally unrepresented groups for leadership promotions. Diageo created initiatives for advancing women, African-Americans, Latinos and LGBT employees, earning diversity recognition awards from Savoy Magazine and the Human Rights Campaign Foundation.[12] Their Spirited Woman program reaches out to connect women with management, with other women, and with key stakeholders.[13] KPMG created a Women's Advisory Board in 2003 to enhance the work environment and career opportunities for women. By 2010, 18.8% of firm partners were women, up 12.9% from the program inception.[14] Rolls-Royce is another firm setting internal gender promotion policies. Globally, women comprise only 15% of company employees in an industry sector that has historically been dominated by men. At the top levels of management, only 7% of senior executive-level positions and 7% of board members are women.[15] Strategies the company developed to increase women in management include mentoring programs and an internal steering committee to monitor diversity. In 2011, Rolls-Royce implemented a reverse mentoring program with the goal of pairing senior executives with junior colleagues to offer the former insight into diverse experiences and ideas.[16]

Consulting firm Ernst & Young also offers several programs on diversity for their employees. "I can tell you that we truly do believe that inclusiveness is critical," said Steve Howe, senior executive at Ernst & Young.[17] "It's critical to us performing at a consistent, exceptional level all around the globe. It makes us better, more insightful; it helps us solve problems, manage risk and seize opportunities that much better. And we believe that driving multicultural teams is an absolute must." Ernst & Young have several programs that directly address gender issues, including 1) the Career Watch program, which helps women become partners by outlining the steps for their advancement; 2) the Inclusiveness Leadership program, which provides women mentoring from external coaches and executive board members and 3) the Work Smart program, designed to help balance work-family issues.[18] Consistently given high marks for gender, racial/ethnic and disability policies, the firm has received numerous awards recognizing its achievements, most recently a top rating from DiversityInc.[19]

Championing Diversity

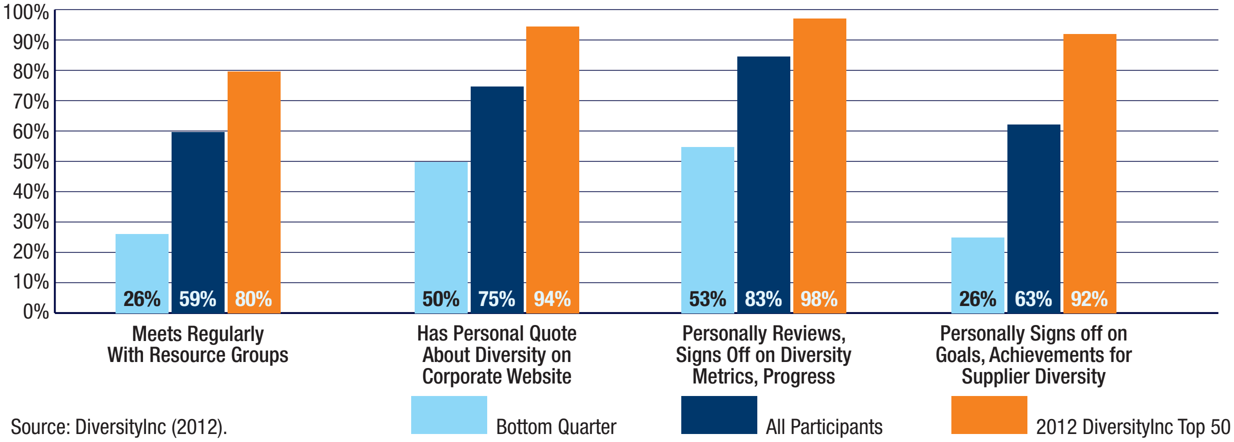
Several independent agencies and organizations have established awards to recognize company excellence in diversity management. Due to space, we will focus briefly on US-based DiversityInc before looking at Dutch and British associations, Talent at the Top and the 30% Club, which advocate for gender equality in the business community.[20]

Figure 1: DiversityInc Top 10 Companies for Executive Women

Rank	Company	Global Employees	US Employees	Headquarters
1	PricewaterhouseCoopers	168,710	35,836	New York, NY
2	Kraft Foods	127,000	43,243	Northfield, IL
3	Ernst & Young	152,000	26,493	New York, NY
4	Sodexo	391,000	116,825	Gaithersburg, MD
5	Procter & Gamble	129,000	34,500	Cincinnati, OH
6	Kaiser Permanente	N/A	171,904	Oakland, CA
7	American Express	61,000	29,965	New York, NY
8	Johnson & Johnson	114,200	35,942	New Brunswick, NJ
9	Deloitte	182,000	38,493	New York, NY
10	Automatic Data Processing (ADP)	N/A	34,335	Roseland, NJ

Source: DiversityInc (2012).

Figure 2: CEO Personal Commitment to Diversity



Source: DiversityInc (2012).

DiversityInc

In 2001, the US-based diversity-consulting firm DiversityInc began surveying companies to assess their diversity management initiatives.[21] Four categories are assessed in the survey (CEO Commitment, Human Capital, Corporate Communications and Supplier Diversity). Companies within the same industry compete against one another to receive top marks. Evaluation is based on firm-submitted data, which allows DiversityInc to assess diversity performances of all competitors. Fifty firms participated in the initial survey; by 2012 that number swelled to nearly 6000. Each year 50 top slots are awarded to companies. DiversityInc also recognizes the Top 10 Companies for Executive Women, for Blacks, Latinos, Asian Americans, LGBT, etc. PricewaterhouseCoopers (PwC) captured the coveted first place position in 2012, singled out by DiversityInc for its innovative strategies outlined by CEO commitment to find, engage and promote the best and brightest employees, especially those from traditionally underrepresented groups.[22]

In 2012, the firms came from 16 industries and averaged well above Fortune 500 statistics for diversity.[23] Survey results also revealed that top firms whose diversity goals are part of executive performance reviews have 80% more Blacks, Latinos, Asians and American Indians and 27% more women in the second-most senior level of management.[24] CEO commitment also stands out as an indicator of best diversity practices. Among Top 50 Firms, those that have Executive Diversity Councils chaired by CEOs rank 30% higher than those in the bottom quartile of firms surveyed.[25]

Gender Diversity Movements

Talent to the Top

Companies can also find inspiration from the non-profit sector to better diversify business practices. In 2008, a Dutch foundation launched a voluntary public initiative to encourage recruitment, promotion and retention of women in senior level positions in government and private industry in the Netherlands.[26] Companies and departments are asked to sign a charter indicating that they will assess their internal gender diversity and implement a strategy to ensure a more equitable gender structure. Six months after signing, firms undergo an online assessment requiring data and diversity policy documents, which are then evaluated by an independent body, Talent at the Top Monitoring Commission (TTMC). TTMC gives feedback to each company and publishes an annual report on signatories. Two years after its inception, among signatories, the number of women in senior positions grew by 7.5 %.[27] Thus far 212 signatories, among which are several banks, multinationals and universities, have taken the pledge and the majority (72%) reported an increase in women in senior positions.[28]

30% Club

The UK-based 30% Club, launched in 2010, is a movement that groups company chairmen with organizations committed to bringing more women on corporate boards through voluntary rather than legislative measures.[29] The aim is to have 30% of women on boards by 2015, aligning with research indicating that that is the tipping point to move away from 'group think'.[30] The purpose of the movement is to raise awareness among chairmen and business leaders of the benefits of gender diversity, inspire debate and discussion, and support initiatives to build the pipeline of women in executive and non-executive roles.[31] Currently 54 Chairmen support the club, up from seven just three years ago. One project, the Executive Pipeline Action Group, now works with FTSE-350 companies to improve efforts advancing female representation. A 30% Club Investor group has also been established with 13 institutional members representing £1.3trn AUM.[32] Political and public speaking events have rallied supporters, who champion the business case as the best strategy to encourage more women executives at the top. The club has expanded beyond the UK, now reaching Hong Kong.

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Editorial on Women on Boards:

The Case for Voluntary Change

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The boardroom is a crucial place for any business. It is the heart of strategic decision-making, governance and assessment of risk, and in the wake of the financial crisis, the ensuing soul searching has seen more and more attention being paid to the make-up of corporate boardrooms, starting with their diversity. Since the publication of the Davies Report in February 2011, which called strongly for concerted voluntary action by UK companies to redress the gender imbalance of UK boards, the issue of female representation on boards has never been very far from the headlines. The pace of change over the past two years has been remarkable, yet the real epiphany in the UK has been to regard it as a business issue, not a women's issue.

The business case for having more women on boards is clear. While it is obviously impossible to prove causality, studies from the likes of McKinsey, Credit Suisse, Citigroup and Société Générale all point to a positive correlation between women on boards and financial performance. There is also a powerful intuitive argument for having a varied board, with less danger of 'group think' and more diversity of skills and ideas. Chairmen get this. Sir Roger Carr, Chairman of Centrica and a founding Chairman of the 30% Club commented: "Boards are intellectually and socially enriched by the presence of women and consistently more effective through balanced judgment and opinion in decision-making."

The 30% Club, founded in 2010 by Helena Morrissey CBE, CEO of Newton Investment Management, is a group of Chairmen and organisations committed to bringing more women onto UK corporate boards because it is good for the overall effectiveness of the boardroom, and therefore good for business. The campaign has achieved notable success. At its inception, the 30% Club had seven founding Chairman supporters, and at that point, 12.5% of FTSE 100 board directors were women and that figure had plateaued for 3 years. The club now has 60 Chairman supporters, and 17.4% of FTSE 100 board directors are women. The goal is for 30% women on boards by 2015, so chosen because 30% is the widely suggested proportion when the contributions of a member of a minority group become valued in their own right rather than as representatives of that group. The pace of change is accelerating sharply: in 2010, women accounted for just 13% of FTSE 100 Non Executive Director appointments, rising to 30% of new appointments in 2011. Since March 2012, 49% of non-executive FTSE 100 appointments have been women.

The crucial element behind the campaign's success in the UK has been its business-led, anti-quota approach. In November 2012, the EU was forced to back down from its campaign to impose mandatory quotas for women on boards, largely in response to objections raised by the UK government and the 30% Club that a legislative approach is neither desirable nor effective, and that appointment should be solely on merit.

Support for the issue continues to gather momentum. Financial Services is no exception, with the Chairmen of HSBC and RBS, Douglas Flint and Sir Philip Hampton, both publically advocating the presence of women on boards. Mr. Flint said: "We have recently increased the number of female directors sitting on our board and have done so not to meet diversity targets, but for the invaluable skills and experience that each brings to the table. We now have four women among our 13 non-executive directors, accounting for a 31% share."

Not everyone shares this view however. Norway was the first country to introduce a formal quota for women on company boards in 2003, yet it bred a generation of the rather sarcastically named 'Golden Skirts' (Gullskjortene) - the female directors who now make up more than 40% of the boards of Norway's listed companies. What has this translated into? While there may be female representation at the very top echelons of business in Norway, take it one layer down to the Executive level, where the next generation of board members is likely to come from, and there is a glaring void. Only 3% of CEOs and 8% of senior executives in Norway are women, a lower figure than in other European countries, and even lower than the staunchly anti-quota UK. Arguably Norway's success in recent years has had more to do with its vast natural energy reserves and lack of exposure to Europe's sovereign issues than to any boardroom revolution.

But this in itself raises another issue, and one not unique to Norway. The arguments behind female representation on boards have received plenty of airtime, and rightly so, but the debate should keep moving on. Developing the pipeline of female executives is the key to sustainable change. It is no secret that the Executive pipeline in the UK remains a challenge. After all, there are currently only three female CEO's of FTSE 100 companies - Angela Ahrendts (Burberry), Alison Cooper (Imperial Tobacco) and Carolyn McCall (Easy Jet). There is no single reason behind the lack of a strong pipeline for senior women, but a broad range of sociological, biological and cultural factors are at work, as well as traditional ingrained business practices. The current pipeline situation also reflects the historic lack of attention paid to this topic, rather than today's nascent efforts, which will take some time to deliver returns.

Focusing attention on the pipeline is critically important. Traditional working practices also need to modernise, and by doing so, can transform business culture. The case for having more women on boards has been thoroughly debated and the data shows that important steps are being made. The natural extension now is to focus on preparing the next generation of women for the top, so that current efforts will not run aground in 10 years time when there is no pool of board-ready women.

Granted, change will not happen overnight, but creating a better gender balance at all levels of a company, across regions, across industries, requires a business-led, sustained and concerted series of efforts. It is not just up to the Chairmen and to HR and Diversity specialists to promote female talent. Frontline executives in the middle are slowly seeing this as a key part of what it takes to deliver successful results in the future.

Implementing Gender Equity at Swiss Re

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Ms. Nia Joynson-Romanzina joined Swiss Re in 2008, and two years later became the Global Head of Diversity. In this role she has launched a group wide strategy and action plan to achieve a leadership climate and inclusive culture which fosters and values diversity of thought and opinion. Ms. Joynson-Romanzina is a member of Catalyst's European Board and represents Swiss Re in the Harvard Kennedy School's Women Leadership Board. She spoke with us about her vision of diversity and inclusion.

What does inclusion mean to you?

An inclusive culture is based on fairness, openness and trust, where we feel that we belong, that we are respected and that we are heard. An inclusive culture is where all members contribute to the formation and realisation of common goals. We move away from simply physically integrating people to integrating people's experience, knowledge and perspectives. Each member feels respected and has a sense of belonging to the environment or group. Self-awareness is valued, we recognise, challenge and intentionally address our unconscious biases and we confront our stereotypes. We are intentionally open to others, regardless of their similarities or differences.

How does your company promote inclusion?

We know that inclusion leads to greater employee engagement and motivation, and engaged employees are more productive. It also helps to attract and retain the best talent from a diverse talent pool, across generations, cultures, races, gender, sexual orientation, language, physical abilities, etc. Data also indicates that it improves client interaction.

Inclusion is embedded in our leadership development and driven by our talent management processes. Our firm has a Group Diversity & Inclusion strategy, which has set out a Global Inclusion Framework built around 3 pillars:

- Inclusive Leadership – including a competency framework for being an inclusive leader and a company wide programme on Unconscious Bias
- Own the Way You Work – a cultural change initiative aimed at fostering meaningful dialogue to shape how, when and where we work.
- Gender Diversity – to increase gender diversity at all levels and regions through increasing the collective and individual gender intelligence and a three-pronged programme aimed at increasing women's representation in leadership role and strengthening the female talent pipeline.

How do you develop an inclusive environment within an organization?

With the support of the CEO and the Executive Committee, the Group-wide Diversity & Inclusion (D&I) strategy is driven by a strong network of 35 D&I Champions, at the executive level from the business, and is supported by regional D&I Councils to ensure a “Global” approach, that is local differences with regard to D&I are acknowledged and addressed under a global umbrella. Inclusion is about culture and behaviours. Leading by example and role models are key components in achieving inclusion. A clear corporate position on its commitment to inclusion as well as a clear vision of what inclusion means is fundamental. Leaders, managers and employees must be measured on inclusiveness as well as being held accountable for it.

We have also been working to develop the skills of our leaders, managers and employees in this area. Diversity & Inclusion is embedded in our Talent and HR policies, for example obligatory diverse recruitment practices, as well as in our leadership and training programmes, while diversity metrics are closely monitored. Swiss Re has also signed the UN Global Compact’s Women’s Empowerment Principles to underline its commitment to Gender Balance and women’s role in business.

How can companies create a gender-balanced organization? How exactly is this put into practice?

There are a number of ways companies can support gender diversity in the workplace:

- CEO and C-suite support, both vocal and in actions
- Grass roots mobilization through employee networks
- Approach gender-balance through an inclusion lens
- Increase Gender intelligence at the corporate and individual levels
- Raise awareness on unconscious biases
- Full acceptance of diverse working models and lattice career paths
- Make sure that the best candidates always get the job but ensure that biases (conscious and unconscious) are eliminated in the decision making process.
- Diverse recruitment slates
- Sponsorship, mentoring and coaching
- Ensure gender balance in job rotations, project placements, stretch assignment. Use these opportunities to bolster experience and skill of top talent, again using a gender balance lens
- Highlight and share best practices; Identify role-models and tell stories about them
- Look at gender balance in talent pools, leadership programmes, track metrics.

What advice do you have for women and men to help create a more inclusive atmosphere?

“Be the change you want to see” is the quote that I favor. Be a role model and adhere to our Inclusive Leadership competency framework. Be self-aware. The first step is to understand one’s own tendencies and preferences (e.g. MBTI, unconscious biases). Firstly, one will learn more about oneself, secondly one will better understand how other people’s preferences and tendencies differ from one’s own and increase the tolerance and acceptance of other ways of doing, thinking, differing perspectives, etc. Sponsor and mentor someone who is different from you and turn it into a reciprocal mentoring relationship – so that you learn from each other. Engage with your leaders, ask them and challenge them to become more vocal and active on inclusion.

The George Washington University Research Team

Gender equity in pay, promotion and work place practices is still elusive for many women around the world. Some exciting new programs and legislation are helping to crack the glass ceiling. In preparing this report, we researched the issues extensively, but we also realize that the world of literature and research still has more to offer on these topics.

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Michelle is an Assistant Professor of Human Services, Sociology and International Affairs at GW. She received her doctorate in Sociology from the University of Michigan in 2010. Michelle's research focuses on Romani persecution during the Holocaust in Romania, and she is the author of several publications on this subject. Also a documentary filmmaker, Michelle directed Hidden Sorrows: The Persecution of Romanian Gypsies During WWII. She teaches courses on non-profit management, humanitarianism, and sociological research methods, among others. She recently expanded her research focus into the areas of gender and migration.

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