



Quota politics in Norwegian business life

Zürich, November 9th 2009

Vibeke Heidenreich

PhD student (research fellow) in sociology

Institute for Social Research (ISF), Oslo



Corporate Board Quotas

The Companies' Act § 6 – 11a (2003):

At least 40 % of the members of boards of directors in public limited companies and state companies must be of each gender.

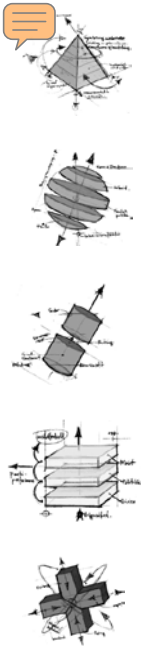


Companies affected

400 public limited companies (AG)

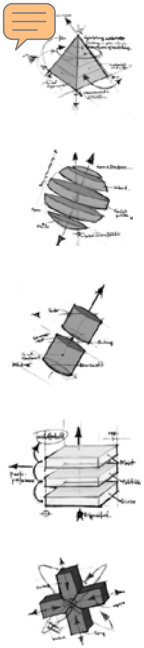
Among these are all Norwegian
companies listed on the Oslo Stock
Exchange

50 companies owned by the state



Sanctions

A company that does not have a legal board, despite several warnings with the possibility of correcting the matter, will be subject to *forced dissolution*.



Why affirmative action?

How was this possible?



Six tentative answers

1. Liberalization and a new threat to gender equality
2. The unsolved problem of "women in management"
3. A historical inclination to problem solving by affirmative action
4. A minister in trouble
5. A positive climate
6. Stepwise introduction



1. Liberalization and a subsequent new threat to established gender equality arrangements

The 1980s and 1990s: processes of deregulation of public enterprises

Section 21 in the Gender Equality Act (1979), demanding gender equality in state boards, did not cover the new enterprises.

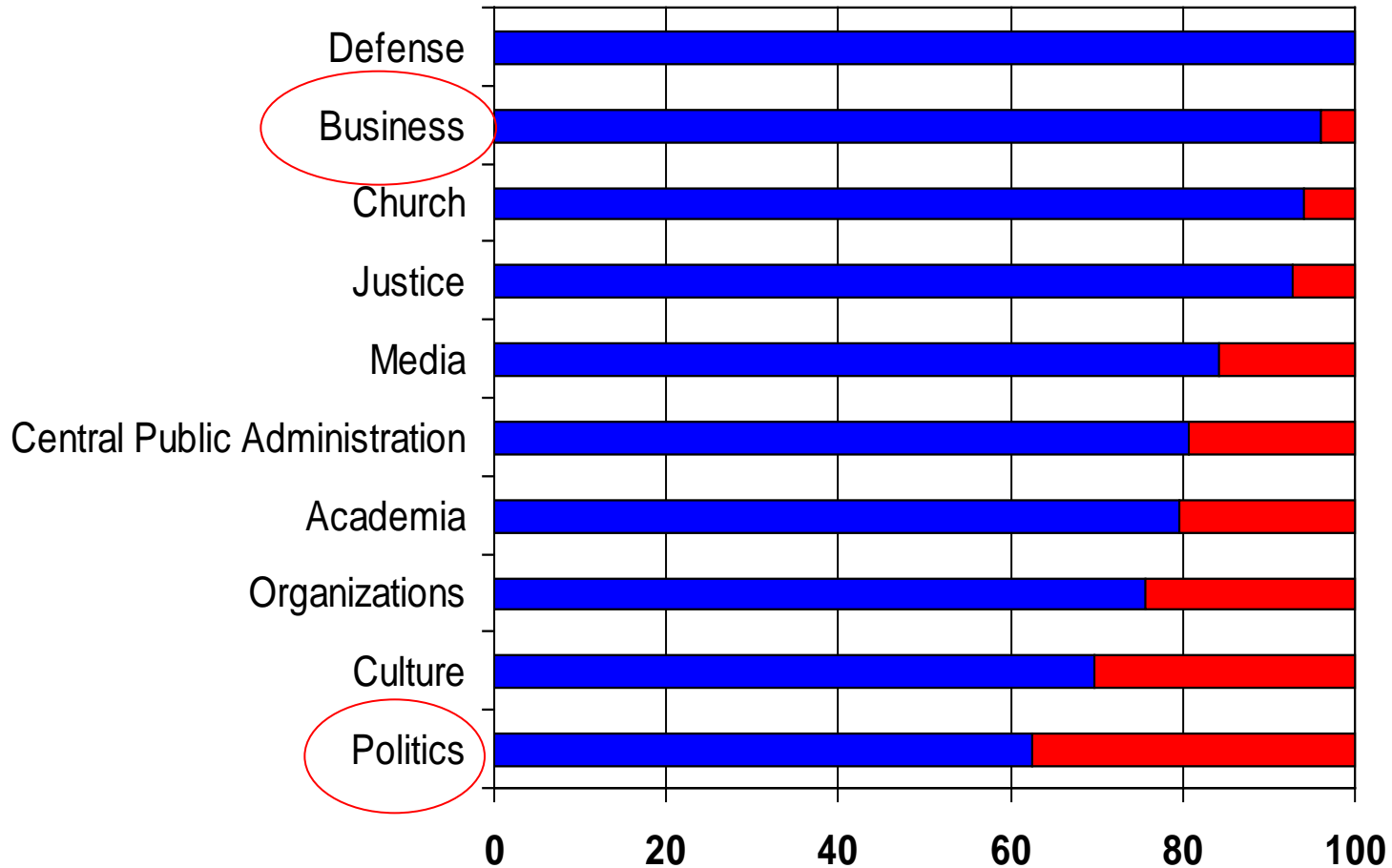
→ Deregulations then had to be met by new regulatory initiatives.



2. Women and management

- Lack of women top managers in business life
- General absence of women in the exercise of economic power

Men and women in Norwegian elite groups (%). 2002



3. The quota tradition

- The employees have a right to a certain amount of seats in the company boards since 1972.
- Since 1981, the gender composition of the publicly appointed boards, councils and committees, has been regulated through the Gender Equality Act (§ 21).



Affirmative action tradition

- education
- public sector employment
- appointments to public boards and committees
- the composition of internal decision making bodies in the state
- election lists in five of the seven major political parties
- “father quota”
- now also: public limited companies (ASA)

Elements from the quota discussion

- Does more women on the boards make enterprises more profitable?
- Will it become easier to find good board members, as the owners get more people to choose from and can choose the most productive ones?
- Doesn't diversity also lead to more conflicts?
- Who knows if the new board members are more qualified than those who were already in the boards?
- And does really diversity boost profitability?



4. A minister in trouble

1998: Introduction of cash payment to parents with children under the age of three.

Salary for housewives?

→ A truly feminist counter-proposal was highly necessary.



5. Gradual introduction of the law

- It was discussed from 1999
- It was suggested in 2002
- It was passed in the Parliament in December 2003 – with a hope of it not having to be put into practice
- It was put into practice in December 2005
- New companies affected from 1.1.06
- Existing companies affected from 1.1.08



A timely word

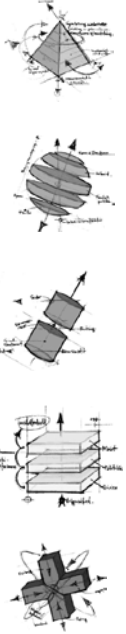
A turning point in the debate emerged when the conservative minister of business and industry, Mr. Ansgar Gabrielsen, exclaimed (2002):

“I am sick and tired of the old boy’s network so dominant in the Norwegian business life. If we don’t take action now, men and women will not be on an equal footing in business life until 2200.”



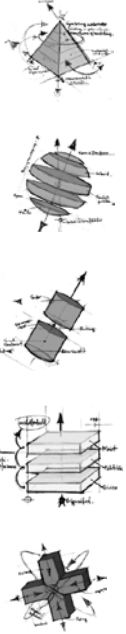
5. Gradual introduction of the law

- It was discussed from 1999
- It was suggested in 2002
- It was passed in December 2003 – with a hope of it not having to be put into effect (except for state companies from 1.1.2004)
- It was put implemented in December 2005
- New companies affected from 1.1.06
- Existing companies affected from 1.1.08



6. *The support of gender equality politics (2002)*

- On average, over 50 % of Norwegians was supportive of different measures to promote gender equality.
- Women were more positive than men and members of the elite were more positive than the population sample.
- Women in the elites (leaders) were most enthusiastic: More than 80 % of these women were in favour of affirmative action on different areas of society.
- In the elite, there existed a “not in my back yard-tendency”, where in particular the members of the business elite were sceptical to corporate board quotas.



Was there no opposition?

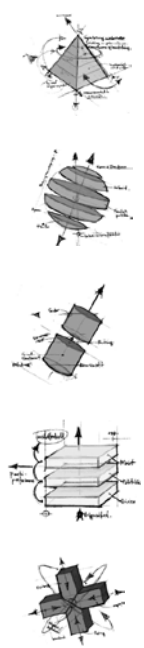
The Norwegian employers' organizations and other business organizations strongly objected to the company board quota act, along three types of argumentative lines:

- *Proprietary rights*: “The company owners should be allowed to decide for themselves who should be on their boards”
- *Autonomy*: “The company owners are best qualified to decide who should be on their boards”
- *The supply side*: “There are not enough qualified women candidates”



Why the boards of directors?

- possible to regulate legally
- very few women
- board regulation tradition with employee representation since 1972
- (the politicians are not affected themselves...)



The quota legislation in business life



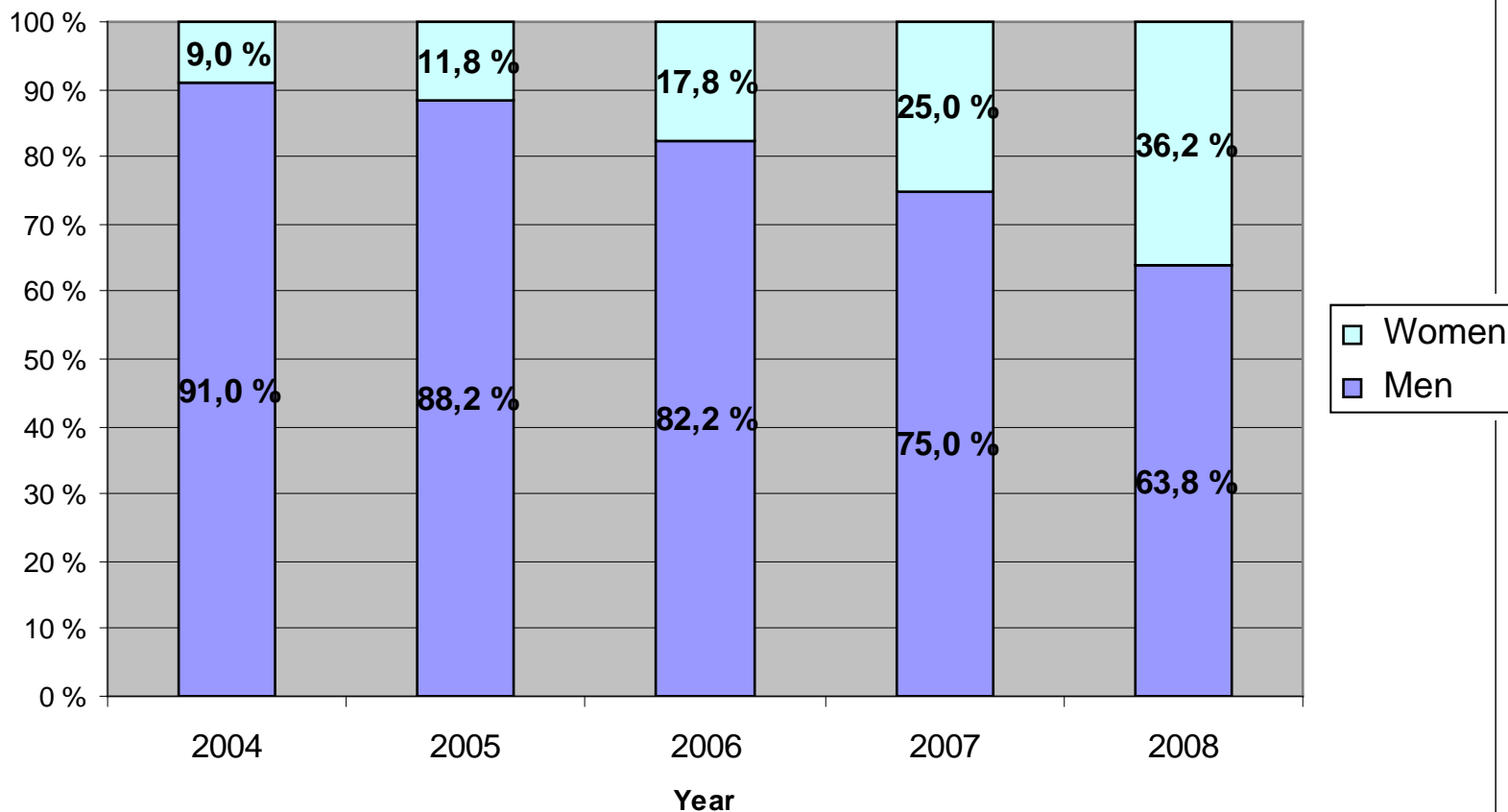
How does it work?

Almost all of the companies managed to live up the requirements, but the rate of success varies because of constant fluctuations in board compositions.

What are their qualification and how do they differ to the men?

Women board members

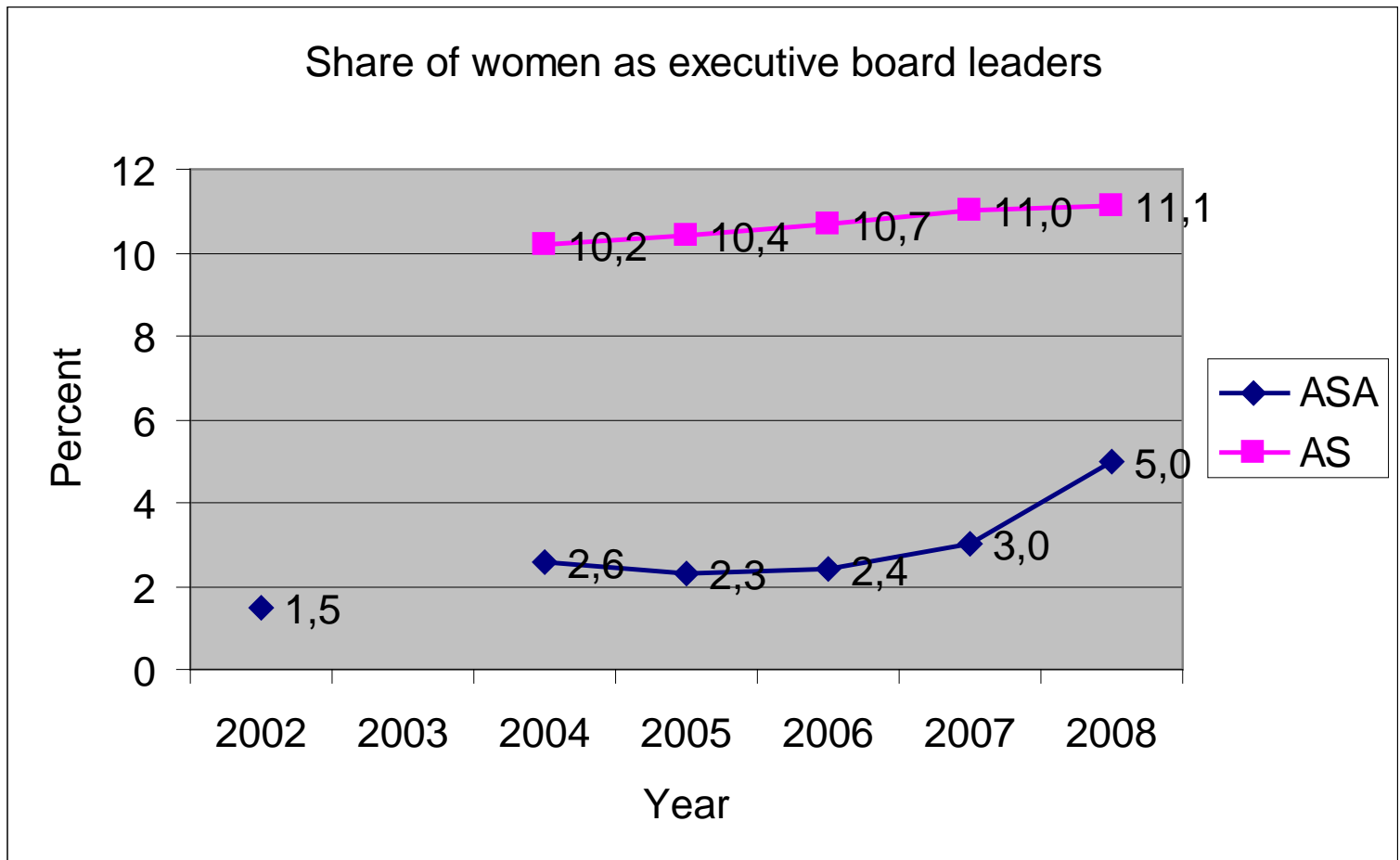
Women and men in public limited companies (2004-2008)



Owner-elected women board members (not leaders and chairs)



Women board leaders



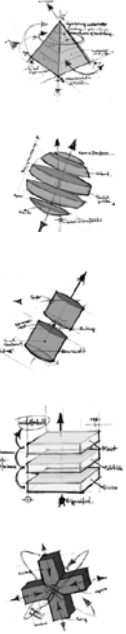


Supply side problems?

Competence

Difficulties finding the competent women

Willingness to participate



Innovative approaches to increase the number of woman leaders

- mentoring
- “Female Future”
- databases



Who are the women?

Almost 1 000 new women on corporate boards

- younger
- well educated
- experienced professionals
- most of them are married and have children

There are now more women holding multiple board positions than there are men.



How where the women found?

- through a professional network (72 %)
- a network of friends (9 %)
- a recruitment firm (head hunter) or consultancy firm (7 %)
- a family network (3 %)



Are the women independent?

- 77 % of the women board members are independent of the company (men: 44 %)
- 12 % of the women board members represents an owner (men: 21 %)
- 11 % of the women board members are owners themselves or they represent an owner family (men: 35 %).

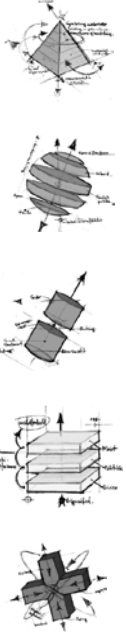


Specific measures?

- 1100 women has gone through *Female Future* (NHO):
board work, leadership, rhetoric, visibility
 - board education (other private initiatives)
 - databases
 - self-composed groups of women
- No; recruitment is first and foremost up to the women and the companies themselves.

Special support?

The women recruited to boards, get no special attention or support. They are considered as any other board member.



Are women reluctant to becoming a "quota member" on the board?

Quite the opposite:

“Of course, I am. And I am so glad for getting this chance, which I believe I would never have gotten if it was not for the law!”



Are the quota women treated differently from others?

No.



Second best?

80 % of Norwegian board members feel that there are no members on the boards they are in who are systematically considered as “second best”.

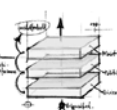
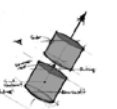
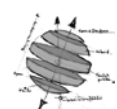
But if someone is second best, it is the women who are recruited during the last two years. 13 % of the men feel that this group is considered as second best.



The converts

I used to be very critical to quotas, but today, after I have experienced the changes that are going on in business life and in the corporate boards in particular, it is now clear to me that this has been an important and necessary move to make.

(Business Woman Convert)



Sanctions

Will companies be forced to dissolution if they don't comply with the law?

This is not very likely:

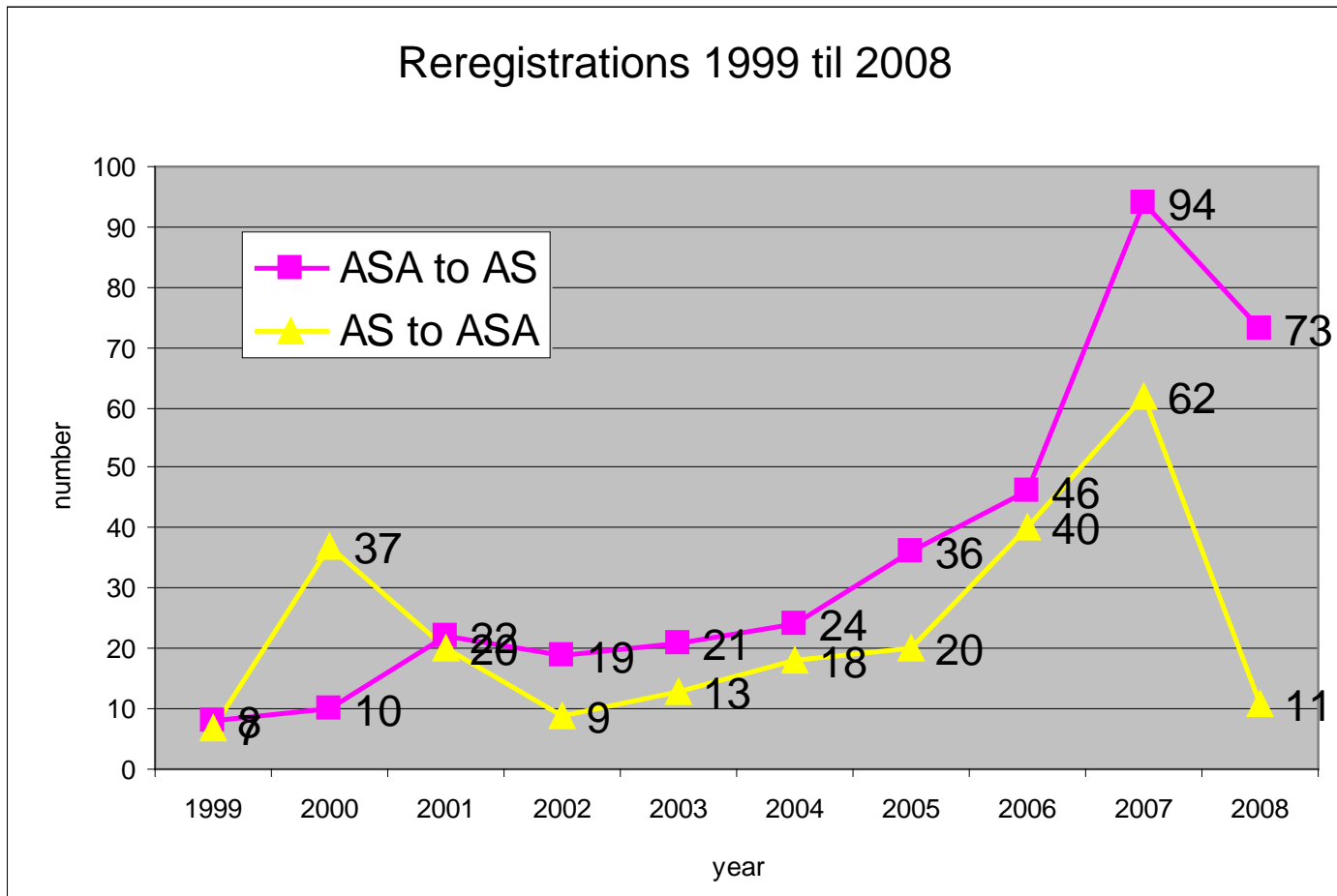
- general respect of The Company's Act
- established and existing control regime
- constant fluctuations in board compositions
- reregistering is possible



Evasion?

- reregister to become an AS (GmbH) instead of an ASA (AG)
- pick the best women they are able to find

Change of legal structure



Source: Statistics Norway



An unexpected consequence

Now, more women than men hold multiple board positions in ASA companies.

- A new “club” of professional women board members has been added to the “old boys’ network”.
- Women are not included on such a broad basis than expected.



What about the men?

The board size has not been reduced.

→ This means that men have had to leave the boards to make room for the women.



A story of success?

- More women on boards → more role models and gender equality
- Public companies with many stock owners → a matter of justice for women
- The state is a major owner in some of Norway's largest companies, noted on Oslo Stock Exchange.