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Gender Equality and the Corporate Sector

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The UNECE series of Discussion Papers is intended to make available to a wider audience papers on matters of topical interest that have been prepared by the staff of the secretariat or commissioned by the secretariat from external experts. The purpose of the Discussion Papers is to contribute to the analysis and discussion of economic developments and policies in the UNECE region. The views expressed are those of the authors and do not necessarily reflect the official positions of the secretariat or of the member governments of the UNECE.

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Gender Equality and the Corporate Sector

Lisa Warth[1]

This paper focuses on how the commitment of businesses to promote gender equality within their organizations can be strengthened. A dual approach of encouraging voluntary measures and corporate social responsibility for gender equality on the one hand, and regulating and enforcing change through legislative reforms on the other hand are reviewed. Unless otherwise indicated, examples for both strategies are drawn from the national responses[2] received from UNECE member States in the context of the fifteen-year review of the implementation of the Beijing Declaration and Platform for Action.

In recent years, the business case for gender equality has gained currency[3]. It is now widely argued that the advancement of women and the promotion of gender equality in the world of work not only benefits women and men but brings clear advantages for businesses. A gender-sensitive perspective can help companies to recruit and retain the best employees, make the best use of human resources, improve productivity and competitiveness, as well as the public image.

The current under-valuing of women’s work and under-utilization of their skills across the region is a loss for the economy. Particularly in the context of demographic change and anticipated skills shortages it is economically sensible to work to remove the remaining barriers to women’s participation in paid work as well as the barriers to men’s participation in unpaid family care and domestic work (see also Hermelink and Trentini, 2009).

Increasingly, policy makers turn to employers, trade unions and employer associations to assume their share of responsibility to create work environments in which both men and women can thrive to their full potential and are fairly rewarded for their contributions. The business case for gender equality has much appeal to business leaders to whom voluntary commitment to change is preferable to compulsion. A number of governments therefore actively seek to raise awareness and provide incentives to improve the conditions for women’s advancement in the corporate sector and promote greater gender balance in economic decision-making and management, across sectors and occupations, and in the share of work and family responsibilities.

Progress however remains slow and the improvements which are being witnessed in the corporate sector are unevenly spread across sectors and workplaces. While growing numbers of employers have started to introduce measures to increase women’s opportunities, many have not and this disadvantages workers who have no access to such good practice. Government regulation through legislation can contribute to widening access across workplaces and sectors.

[1] United Nations Economic Commission for Europe (UNECE). This paper was produced as a background document for the Beijing +15 Regional Review Meeting which was held on 2-3 November 2009 in Geneva, Switzerland. I am thankful for the valuable comments provided by my colleagues Ursula Hermelink, Patrice Robineau, Robert Shelburne and Claudia Trentini.

[2] The national responses to the Beijing +15 questionnaire are available online.

[3] The World Bank Group’s Gender Action Plan for the fiscal years 2007-2010 for example advocates gender equality as “smart economics”.

This paper focuses on three areas of continuing concern for gender equality in the corporate sector: vertical segregation in the workplace, which is apparent through the remaining gender imbalance in favour of men in management and corporate boards; the gender pay gap; and the reconciliation of professional and family responsibilities.

The first part of the paper presents the business case for gender equality in the corporate sector. Despite the apparent benefits of gender equality, inequalities in the region persist, which are discussed in the second part of the paper. The third and fourth parts are dedicated to reviewing the diversity of policy responses in the region to highlight how persisting inequalities have been addressed by member States and what lessons can be drawn from them. The paper concludes with policy recommendations.

I. The Business Case for Gender Equality

Gender equality in the corporate sector is not only desirable on human rights grounds, but also makes good business sense. In recent years, the number of studies analysing the business implications of measures to enhance gender equality and diversity has grown. The benefits of a balanced participation of women and men in business, particularly in management, are thought to be diverse and range from improved staff recruitment and retention; improved creativity, innovation, and problem solving; to improved marketing strategies and outcomes. Many of these benefits are context specific and qualitative and therefore difficult to measure (European Commission, 2003). A number of studies however have highlighted positive correlations between gender diversity in management teams and financial performance.

Better financial performance and competitiveness

Women leaders correlate with better financial performance. In a 2007 study, Catalyst looked at three commonly used measures of company financial performance – return on equity, return on sales, and return on invested capital from 2001 to 2004 in conjunction with women board director data from Catalyst censuses from 2001 and 2003. The study found that, in terms of return on equity, companies with the highest percentages of women board directors on average outperformed companies with the lowest percentages of women board directors by 53 per cent. With regard to returns on sales, the number was 42 per cent and for return on invested capital, the figure was 66 per cent.

Support for the business case for gender diversity in top management was also provided by McKinsey and Company (2007: 13-14). They analysed the financial performance of the 89 European listed companies with the highest level of gender diversity in top management posts relative to the average financial performance for their sector and found them to be better performing in terms of return on equity (11.4 per cent versus an average 10.3 per cent), operating result (EBIT 11.1 per cent versus 5.8 per cent) and stock price growth (64 per cent versus 47 per cent over the period 2005-2007).

Although causality is not proven by these studies, positive correlations between greater gender diversity in management and corporate boards and high corporate performance highlight a business case for greater involvement of women in management and corporate decision-making.

Research has shown that women constitute a significant untapped source of new managerial and executive talent. The creation of better opportunities for women provides firms with **access to a wider talent pool**. McKinsey and Company (2007) found that gender diversity in senior management correlates with "organizational excellence" as measured by a set of criteria including: leadership, direction, accountability, coordination and control, innovation, external orientation, capability, motivation, work environment and values. The study found that companies with more than three women in senior management functions score more highly, on average, for each organizational criterion of "excellence" than companies with no women at the top.

Opening leadership positions to women contributes to expanding the talent pool as women leaders act as role models and can encourage other women to apply for leadership positions. Women in leadership positions can become role models and mentors for younger women, potentially increasing engagement and retention rates.

Another argument for gender diversity is that is enhances **creativity and innovation**, which are increasingly critical to competitive success. A 2005 survey by the Chartered Institute of Personnel and Development (CIPD) in the United Kingdom showed that around 60 per cent of companies with diversity policies believed that innovation and creativity improved as a result. Recruiting women to key positions also allows companies to gain a competitive advantage through deeper cultural adaptation to the marketplace.

Improved recruitment and retention of talent

In the "war for talent" it is increasingly important for companies to attract and retain qualified and talented employees and to be the "employer of choice". High involuntary turnover involves costly recruitment and training costs for new employees.

Better recruitment and retention have been found to be a key motivation for employers to offer family-friendly policies and flexible working options. A large British telecommunication company[4] reports a clear business case for flexible working conditions. Thanks to flexible working arrangements 98 per cent of women returned after maternity leave which saved an estimated £3 million and retained 1000 people, who would have left otherwise over the 2002-2003 period. Absenteeism at this firm was 20 per cent below the United Kingdom average.

Research on the business effects of family-friendly human resource management based on a representative survey of 1001 companies in Germany found family-friendly companies to be more successful at recruiting staff for important positions: they received 31 per cent more applications than family-unfriendly firms. They built human capital more sustainably (plus 23 per cent) and retained important employees longer (plus 14 per cent) than family-unfriendly firms. Retention of parents following parental leave was 22 per cent higher and the length of absence due to parental leave taken 8 per cent lower than in family-unfriendly companies. Unwanted turnover was 15 per cent lower and absenteeism 13 per cent lower (Forschungszentrum Familienbewusste Personalpolitik, 2008).

[4] This and other case studies are published by the Work Foundation and are available online.

Equal opportunity and family-friendly employers benefit from enhanced reputation. Gender balance contributes importantly to corporate image and reputation, pioneers gain a competitive edge. The positive effects of a good reputation are both in terms of recruitment and consumption. The above-mentioned study of German companies found that family-friendly firms had a 12 per cent higher customer loyalty.

There is a growing acceptance among employers for the argument that gender diversity has business benefits. A European Commission study in 2005 found that 83 per cent of companies surveyed agreed that diversity initiatives have a positive impact on their businesses.

Box 1. Talent not tokenism

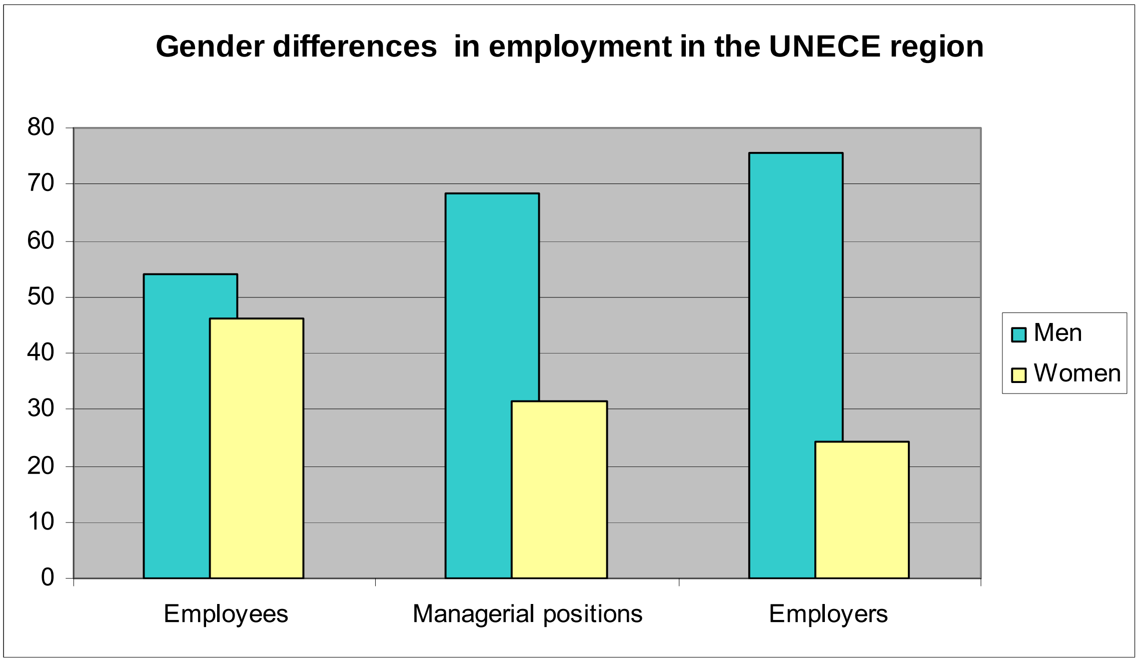
A large British transport company introduced innovative diversity training to change values and attitudes towards diversity so that all staff are valued at work and treated fairly. It sent 5,800 staff on diversity courses, set up 24 learning centres to raise skills, and began a diversity recruitment programme. As a result, one of its branches experienced an increase of 60 per cent in female bus drivers and the number of part-time workers more than doubled. Following the introduction of mentoring for new employees, another of its branches has seen a 33 per cent reduction in the number of people leaving within the first two years of employment

Source: CBI 2008

II. Prevailing Gender Inequalities

Despite the economic advantages of achieving gender equality in the corporate sector, inequalities persist across the region. Women have started to outnumber men in tertiary education in the region, but they remain underrepresented in employment, particularly in management and decision-making positions (see Figure 1).

Figure 1



Source: Own calculations based on UNECE Statistics Database, 2008 data or latest available.
Note: Based on data availability, the above reflect simple averages based on data available for 42 (Employers), and 43 (Employees, Managerial positions) UNECE member States. For definitions of indicators see ISCO-88 and ICSE-93.

Women have different labour market participation patterns than men. Across the region, women tend to have lower economic activity rates than men, are concentrated in fewer occupations, work fewer hours in paid employment (due to higher prevalence of part-time working) and have more career interruptions, largely due to care responsibilities. These differences contribute to lower earnings (gender pay gap) and slower career progressions. Furthermore, the disadvantages accumulate over the lifetime to lower pensions in old age.

Gender employment gap. Women are less represented in formal employment than men. According to estimates from the International Labour Office (ILO 2009, Table A5) the female adult employment-to-population ratio (aged 25 and above) in 2008 was 51 per cent for women compared to 70.5 per cent for men in Eastern Europe, the Caucasus and Central Asia, and 50.4 per cent for women compared to 67.5 per cent for men in the European Union (EU) and other UNECE Member States[5] signifying a significant gender employment gap in the region.

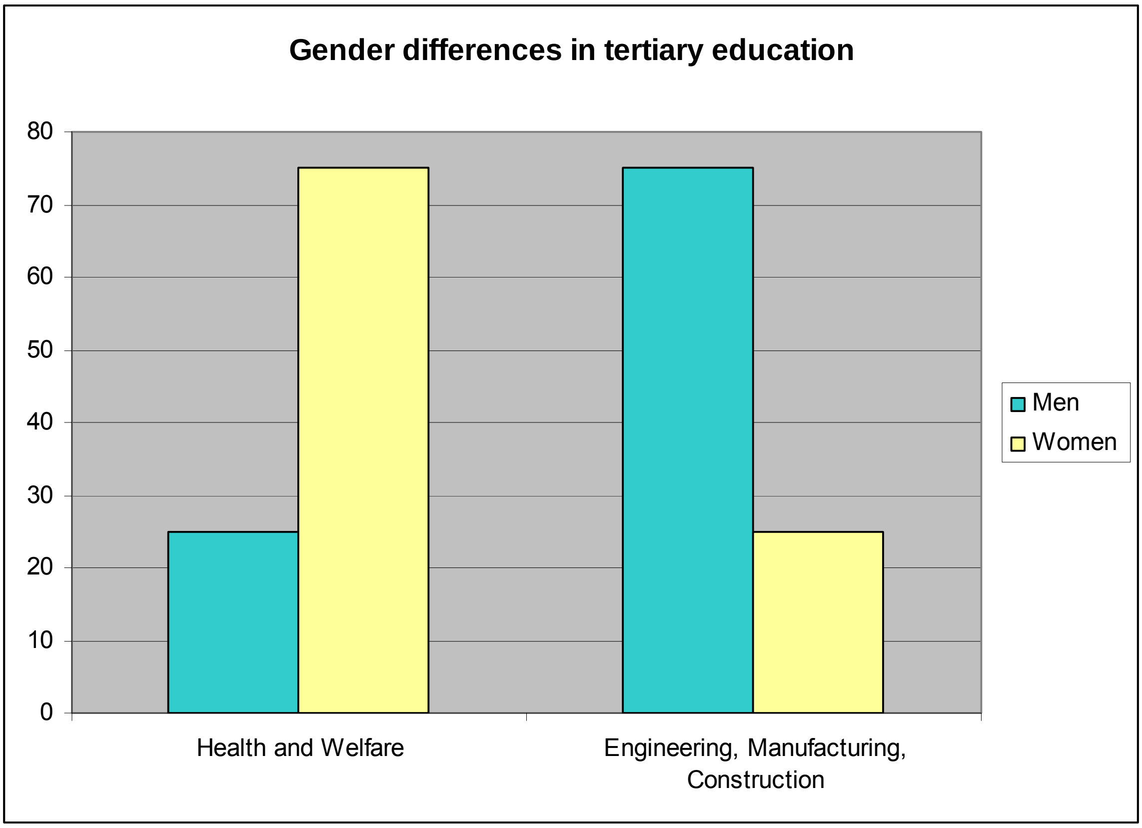
Horizontal gender segregation. Women in employment tend to be concentrated in a small number of occupations. According to the fourth *European Working Conditions Survey* in 2005 only 26 per cent of Europeans worked in gender balanced[6] occupations (European Foundation for the Improvement of Living and Working Conditions, 2008). In fact, half of all working women are concentrated in education and health (34 per cent) and the wholesale and trade industry (17 per cent) while half of all working men are

[5] This ILO country cluster for this estimate also includes a small number of countries which are not ECE member States (see ILO, 2009, p.75).
[6] Where each sex makes up at least 40 per cent of the workforce.

concentrated in manufacturing (22 per cent), wholesale and retail (14 per cent) and construction (13 per cent).

The horizontal segregation of women and men in the labour market reflects earlier educational choices. The large majority (three quarters) of tertiary students in health and welfare related subjects are women. In engineering, manufacturing and construction they form the minority (one quarter) according to UNESCO/ISCED (International Standard Classification of Education) data (see Figure 2).

Figure 2

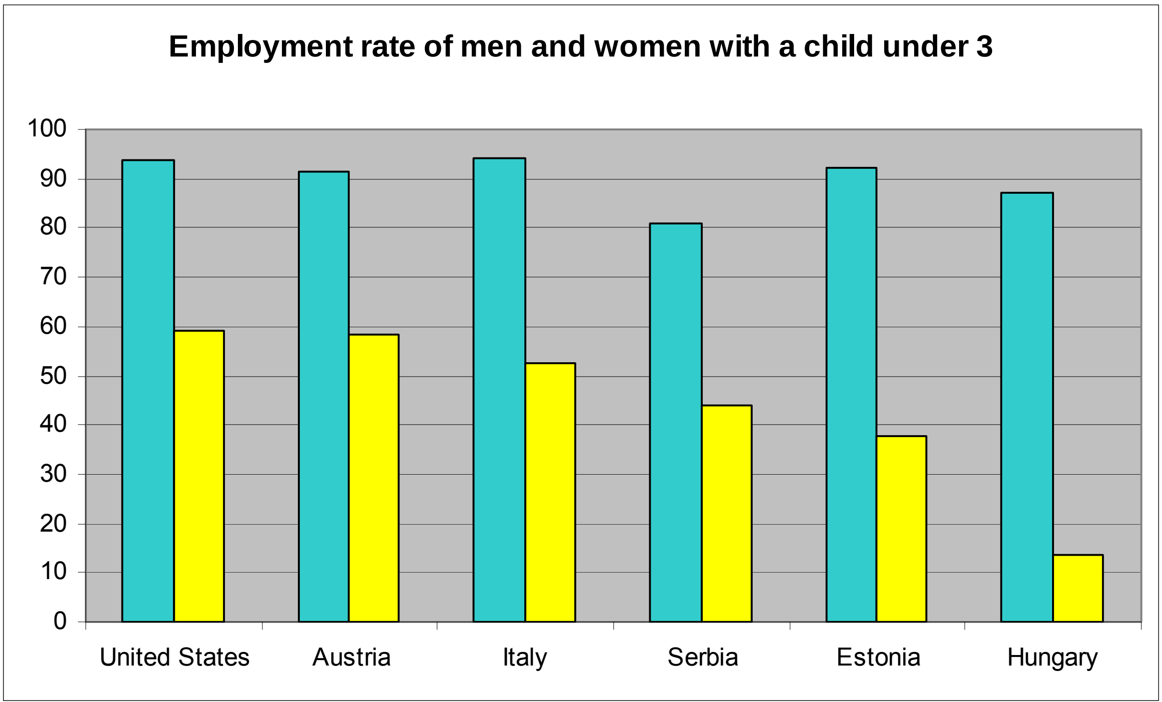


Source: UNECE Statistics Database, 2006-7 data
Note: Figure represents simple averages for the group of countries from the UNECE region for which data was available: Armenia, Austria, Belarus, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, and Finland

Vertical gender segregation. Women continue to predominate in the lower echelons of the career ladder and continue to be strongly under-represented in top management across the region. According to the *Third Biannual European Professional Women's Network Board Women Monitor* in 2008, the top 300 European companies have 9.7 per cent of women on their boards (up from 8 per cent in 2004). One out of four companies covered by the survey still has an all male board. According to the fourth *European Working Conditions Survey* only 35 per cent of European managers were women. In the EU, 9 per cent of men have a female boss compared to 41 per cent of women. Gender differences are particularly apparent at higher educational levels: while 36 per cent of highly educated men (at graduate level or above) hold management positions, this only applies to 15 per cent of women at the same educational level (European Foundation for the Improvement of Living and Working Conditions, 2008).

Unequal sharing of paid und unpaid work is an important explanation for the uneven progression of men and women in employment. Women across the UNECE region shoulder the primary responsibility for unpaid domestic work, including child and elder care. The unbalanced division of labour disadvantages women in employment. The lack of working-time flexibility and family-friendly arrangements in the workplace forces many women with care responsibilities to leave employment, work below their qualifications, switch to lower paid and possibly more precarious part-time positions in occupations where these are offered.

Figure 3



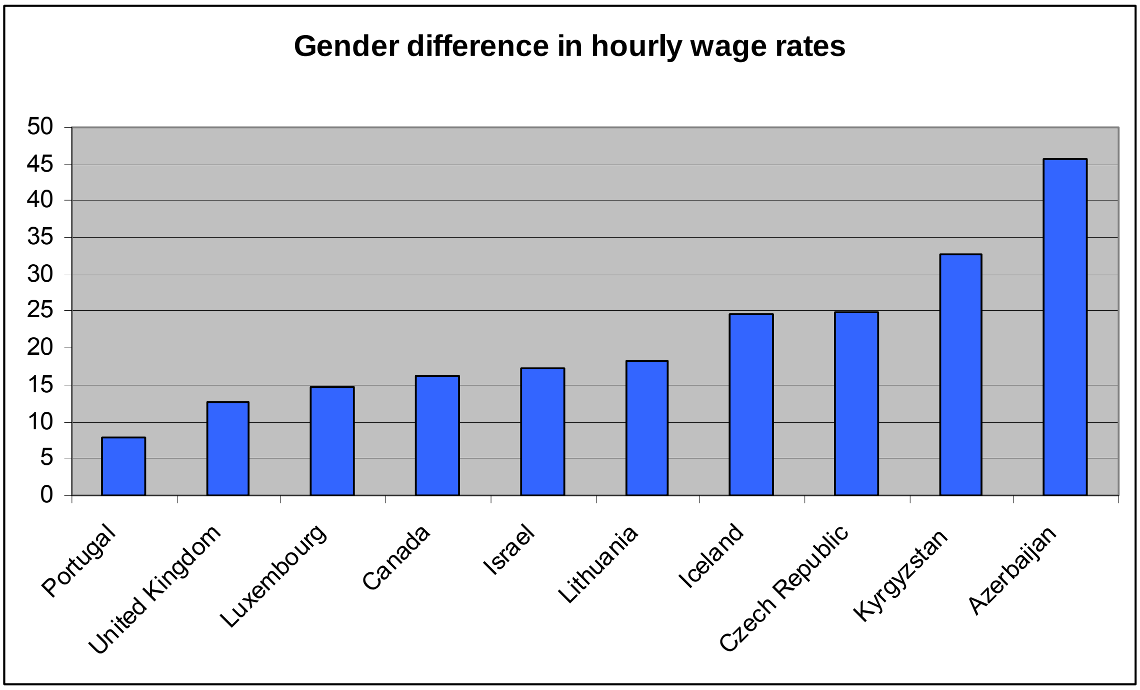
Source: UNECE Statistical database, 2006 data
Note: The employment rate refers to persons aged 25-49.

Access to flexible working arrangements is unequal as provisions to facilitate the reconciliation of work and family responsibilities are unevenly spread across sectors and workplaces (European Foundation for the Improvement of Living and Working Conditions, 2006). The provision of flexible working arrangements has been increasing in some UNECE member States and businesses are introducing innovative measures to support employees in reconciling work and private life. However, these measures are predominately accessible employees who work for employers with a predominately female workforce.

Family responsibilities are still predominately considered a woman's affair and employers are more likely to offer family-friendly arrangements to women with care responsibilities than to men, leading to gender inequalities in access. Fathers who wish to take a more active share in the care of their children often face stronger barriers than mothers, whose caring role is more culturally accepted. Gender role expectations can therefore reinforce the unequal sharing of paid work and unpaid care. Gender biased company cultures and gender role expectations in the corporate world are recognized barriers to gender equality. They lead to prejudices against women's competence as leaders and managers but also affect men who take on a more active caring role and can act as barriers to men's more equal sharing of family care.

Prevailing gender pay gap. In combination, the above inequalities contribute to wage inequalities. Although women perform better at school than men and form the majority of university graduates, women continue to earn less than men across the UNECE region. Some countries report a narrowing of the gender pay gap, but wage differentials remain a resilient challenge to equality in the region, ranging from an average of 17 per cent in the EU to between 40 and 50 per cent in Central Asia and the Caucasus[7]. Frequently women earn less than men for work of equal value. One reason for women's lower remuneration may be gender-biased job and competency evaluations.

Figure 4



Source: UNECE Statistical Database, 2008 data
Note: The gender difference in men's and women's average hourly wages is shown as a percentage of men's average earnings.

Employers have a role to play in increasing career opportunities for women to create more gender balance in management and economic decision-making, in addressing the prevailing gender pay gap and in facilitating the reconciliation of professional and family life. Employers have a corporate social responsibility to work in partnership with governments and civil society to attain the goal of gender equality but, as research and business experience increasingly underline, there are multiple benefits to be gained. The remainder of this paper now turns to consider what has already been done by governments, social partners, non-governmental organizations and businesses, turning first to selected voluntary measures before considering legal reforms in the UNECE region.

[7] International comparisons of the gender pay gap should be interpreted with care as there are variations in measurement across countries: http://www.unece.org/stats/gender/Welcome.html.

III. Promoting Voluntary Measures

Governments, non-governmental organizations, the social partners, and businesses in the UNECE region have developed a wide array of initiatives and measures to raise awareness and sensitize employers, workers, and their representatives to the remaining inequalities between men and women in the corporate sector. These include research and data collection, information campaigns, benchmarking exercises, competitions, audits, and certificates to award and publicize good practice and capacity-building through guidance, tool-kits and training activities to facilitate changes in work organization, recruitment, remuneration, and promotion practices.

In the following, good practices by different actors in the areas of women in management and decision-making, equal pay, and work and family reconciliation are presented.

Women in management and decision-making

Voluntary initiatives in the area of women in management and decision-making include efforts to monitor the situation and raise awareness, mentoring schemes, networks, and voluntary charters by companies to facilitate women's advancement in the corporate sector.

In the field of mentoring, the Austrian Government for example ran a Women-Business-Mentoring Programme in 2004 to 2006, and a Cross-Mentoring programme in the private sector (2006 to 2007). Denmark also launched a one-year mentoring programme for women managers in the state and private sector.

Another strategy to strengthen the position of women in management is through **networks**. The European Professional Women's Network, for example, provides a platform for currently 3500 professional women of all sectors and industries and promotes professional progress of women through mentoring, training, and networking. The European employer organization EUROCADRES created a network for successful women from all over Europe, FEMANET, which consists of around 100 European women in managerial positions engaged in the field of improving and strengthening women in decision-making.

Governments can also encourage and support voluntary initiatives by employers through recognition and financial support. This is done in Luxemburg, where financial support and ministerial approval are offered to companies that undertake research on the situation of men and women in their workplaces and establish action plans.

Other initiatives in the UNECE region include new charters for more women in management as reported by Denmark and the Netherlands. Companies that are members of the *Danish Charter for more women in management* which was launched in March 2008 commit themselves to take specific actions to promote more women in management. The target is 100 companies signing the charter by 2010. By 27 March 2009 a total of 66 companies had signed the charter. A network of public and private enterprises that have signed the charter has been set up and a catalogue of ideas has been compiled containing examples of what firms can do to get more women into management.

Box 2. *Talent to the Top* – women in decision-making in the Netherlands

By October 2009, 93 organizations from the public and the private sector in the Netherlands voluntarily signed up to a Charter, called Talent to the Top. By joining the Charter, organizations commit to develop a strategy aiming at realizing and preserving a continuous smooth flow of women particularly into top positions. The signatories determine organization-specific quantitative targets focused on the number of women in middle and top management, review their achievements and report about them to a Monitoring Commission. The Monitoring Commission will report each year to the Minister of Economic Affairs and will announce results achieved in the media by specifically referring to the names of the organizations and companies concerned.

Another way of recognizing good employer initiatives is through employer competitions and rankings.

Box 3. Top companies for executive women

The United States based National Association of Female Executives (NAFE) rewards each year the Top 50 companies advancing women in the workplace.

Deep and broad attention to women in succession plans brought a large pharmaceutical company into the Top Ten in 2009. Its management reviews all women at the director level and above —keeping an eye on emerging talent from other levels as well — and identified a 40 per cent female candidate cache for near- or longer-term senior roles. At the vice-president level and above, women make up 36 per cent of identified global high potentials, and women comprise 23 of 55 members of the United States governance teams. Specific attention is given to filters on assessment that may devalue women's contributions.

Source: National Association for Female Executives[8]

Reducing the gender pay gap

The European Commission ran an information campaign about the gender pay gap from March to August 2009 in all EU countries to raise public awareness of the complex and interrelated causes[9] of the gender pay gap and to explain how it could be tackled. The campaign featured a website with promotional material and figures on the gender pay gap in the EU. Awareness-raising activities in member States include the celebration of annual Equal Pay Days.

Other initiatives in this area include the production of gender-sensitive guides and training materials. The ILO guide *Promoting equity: Gender-neutral job evaluation for equal pay: A step-by-step guide* addresses the economic characteristics of the pay gap (such as working hours, education, experience, unionization rate, economic sector, size of enterprise), as well as its discriminatory causes. It is aimed at workers' and employers' organizations, equal opportunities bodies and human resources managers, gender specialists and pay equity practitioners. Guidebooks on Equal Pay have also been developed in a number of UNECE member States.

[8] www.nafe.com.

[9] The undervaluing of women's work, segregation in the labour market, traditions and stereotypes, and problems in balancing work and private life.

Trade unions and employer and business associations in the European region work together to tackle the gender pay gap. The European Social Partners[10] included the gender pay gap as one of four priorities in their *Framework of actions on gender equality* in 2005 (alongside addressing gender roles, promoting women in decision-making, and supporting work-life balance). They committed to promoting this framework of actions in member States at all appropriate levels taking account of national practices through joint and separate actions as appropriate and to reporting annually on their activities. After four reports the framework of actions will be reviewed.

Box 4. Framework of action on gender equality: gender pay gap

Informing about existing legislation on equal pay and giving guidance on how to help closing the gender pay gap at different levels through: practical guides - especially for small and medium-sized enterprises - on how to live up to their legal obligations; national or sectoral collective agreements or framework agreements.

Developing clear up to date statistics at sector and/or national level to enable social partners to analyse and understand the complex causes of pay differentials. Promoting the availability of gender specific information at the appropriate levels (national, sectoral and/or company level). Examples of practical tools used to do so include: developing a joint method, taking into account as wide a range of variables as possible, in order to have a detailed and analytical picture of the underlying causes of wage differences between women and men; ensuring that pay systems, including job evaluation schemes, are transparent and gender neutral and paying attention to the possible discriminatory effects of secondary elements of pay.

Using or developing methods and instruments to address the gender pay gap in a systematic way that allows for monitoring and evaluation as part of a wider strategy. Examples of practical tools used to do so include: screening job descriptions to check that they do not contain discriminatory elements; reviewing pay criteria to check that they are not discriminatory; developing tool-kits comprising different elements in order to give background information to negotiators dealing with gender equality issues and to offer practical advice on what employers and workers can do in enterprises; and use existing on-line tools providing information on wage formation and enabling individuals to compare their salaries with that of other employees.

Source: Framework of Action on Gender Equality (2005).

In their third follow-up report in 2008[11], social partners reported on their involvement in national consultative commissions dealing with equal pay and several social partners reported on the development of tool-kits and training activities aimed at including the gender pay gap in negotiations and collective bargaining.

New initiatives by social partners, in cooperation with government and research institutes, include measures aimed at implementing gender-neutral job assessments and evaluations to reduce the gender pay gap. In Lithuania, a methodology for job assessment has been developed which aims at enhancing the transparency of remuneration, facilitating a more objective assessment of the complexity of functions and their levels in enterprises and organizations, and helping to set basic wage tariffs both in individual economic entities and throughout the sector without differentiation on the grounds of sex.

[10] The European Social Partners include the European Trade Union Confederation, the Confederation of European Business, the European Association of Craft, Small and Medium-sized Enterprises, and the European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest.
[11] Available for download.

Social partners in Belgium put in place job evaluation systems that ensure equal treatment through collective agreement for 2007-2008. Enterprises that have not already verified their job evaluation systems and wage classification need to ensure that these are gender-neutral and to revise them if they are not. Several sectors are reported to be in the process of analysing their job classification systems in view of gender-neutrality (banking and insurance sectors) or to be revising existing systems (metal industry). Others have developed plans to do so (for example tourism). The *Institut pour l'égalité des Femmes et des Hommes* in Belgium has developed a checklist for employers to facilitate the analysis of job classification systems.

Another important field of activity is data collection and monitoring of the gender pay gap and implementation of agreed measures to address it. In Finland, the social partners agreed in their collective agreements for government employees for 2007-2010 that the gap between women's and men's pay will be narrowed with a gender equality bonus amounting up to 0.2 per cent of the total payroll. The social partners will monitor the effects of the intra-agency collective agreements on equal pay for the negotiations of the gender equality bonus. They will study whether women and men are paid equally for the same or equally complex tasks and to what extent gender affects wages after the other justifiable wage determinants are controlled.

Work-family reconciliation

Policymakers across the region place increasing emphasis on the role of workplaces in facilitating work-family reconciliation. Strategies to encourage voluntary measures by employers in this area include research highlighting the positive returns of family-friendliness for businesses (for example in Switzerland), employer competitions and audits to certify and reward family-friendly employers, and financial support to help employers in providing family support such as workplace-based childcare services or reintegration measures after parental leave.

Employer competitions, family-friendliness and equal opportunities are becoming increasingly popular in the region (for example in Austria, Hungary, Slovakia and Ukraine) and award companies of different sizes and sectors that are particularly family-friendly. Award ceremonies are usually high-profile events which provide publicity for the companies pioneering in this field. They are becoming increasingly popular among employers as evidenced by the increasing interest and number of applications over the years (for example in Hungary).

Box 5. Family-friendly employer competitions[12]

The Slovak competition The Employer Who Welcomes the Family, run by the Ministry for Family and Social Policy, acknowledges and encourages employers to create working conditions which take into consideration the family obligations of their employees. The competition rewards good practice in the categories family policy, equality of opportunities for men, and the most original measure for the family and equal opportunities.

Based on the Slovak example, and with the support of Slovakaid, a first competition for the Best family-friendly enterprise was held in Ukraine in 2008. It was co-organized by the Centre for CSR Development, the Ministry for Social Policy and Labour, the Ministry for Family, Youth and Sports and State Committee for Regulatory Policy and Entrepreneurship Development. 51 companies from 14 regions participated.

In addition to employer competitions, family-friendly audits and certification systems have been developed in the region. A prominent example is the *Work and Family Audit*[13]. During the auditing process organizations first develop customized objectives and concrete measures to improve their family-responsiveness in eight areas of action. The implementation of the agreed measures is monitored over a period of three years, after which time progress towards agreed objectives is evaluated. Only after successfully passing the re-auditing process after three years do companies receive certification (until the next evaluation after three years). Over the years, increasing numbers of organizations from both the public and private sectors have been audited. In 2009, 322 new firms were certified. Since its introduction in the late 1990s, more than 750 companies, organizations and universities have been audited benefiting around two million employees and students. The audit has also been developed for Europe and is currently being carried out in Austria, Italy and Slovenia.

Certificates that more broadly award measures to further gender equality in the corporate sector include the *Label Egalité* in France which assesses companies in the areas of equal opportunities, human resources management, and family-friendly measures. The label can be used for a period of three years. Similar to the work and family audit, progress is monitored after a period of 18 months. Since the first certifications in 2005, a growing number of organizations from diverse sectors such as electronics, transport, insurances and communication have received the label. Nearly 750,000 employees working in 46 companies in the private and public sectors are benefiting. A similar label has been introduced in Belgium.

Some countries have introduced financial incentives to **encourage**, as well as financial support for companies to **facilitate** voluntary measures by employers (for example Israel). France has extended the scope of eligible expenditure for family tax credit to enterprises' expenditure on training for employees hired following their resignation from or termination of service during parental leave.

[12] I thank Maryna Saprykina, Executive Director of the Centre for CSR Development in Ukraine, for providing this policy example.
[13] The Work and Family Audit (*Audit Beruf & Familie*) was developed by the Beruf und Familie gGmbH in Germany, http://www.beruf-und-familie.de.

Germany launched a new programme in 2008 which accords **subsidies to employers who create childcare places** for their employees. Companies providing childcare support for their employees can benefit from shortened parental leave periods, lower childcare related absenteeism and a higher attractiveness as an employer. Businesses and universities across Germany can receive up to 50 per cent of the costs for each new created childcare place for two years (up to a maximum of €6000). The European Social Fund finances this initiative with €50 million until 2011.

How successful is encouragement?

A strong argument in favour of encouraging voluntary commitment by employers, whether based on business-case arguments or appeals to corporate social responsibility, is that cultural change is more likely to occur if actors are voluntarily engaged rather than forced through legislation. Financial incentives and rewards to companies can further strengthen the business case for family-friendly and equality-promoting measures and facilitate their introduction as they reduce the cost barrier faced by many companies, particularly by small and medium-sized enterprises.

On a voluntary basis, many initiatives and joint commitments have been brought underway as the selected examples have illustrated. Such measures fulfil an important function of raising public awareness of issues of concern and can contribute to paving the ground for consensus on more far-reaching measures, by government, social partners, and employers.

It remains doubtful, however, whether corporate social responsibility and the business-case alone can be relied upon to improve the conditions for gender equality widely and sustainably. A key concern is access inequality. The business case might not apply for all women and might create opportunities only for the most qualified and skilled, while many low-skilled women and those facing difficulties with reconciling work and family life may remain trapped in precarious employment without career advancement perspectives. Measures and benefits might be subject to “good times” and discontinued in times of economic downturn. To address these concerns, legal regulation by the state is important in order to ensure universal progress for all groups of workers across occupations, sectors and workplaces.

IV. The Case for Legislation

Although employers are increasingly introducing measures to promote gender equality voluntarily, progress in the corporate sector remains slow. In order to fulfil commitments for gender equality in the economic realm, taken in the context of the Beijing Platform for Action, the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), ILO conventions, and where applicable in the context of EU directives, governments have developed diverse legislative tools to improve the conditions for enhanced gender equality and have outlawed gender-based discrimination in employment.

Most countries in the region have passed legislation that formally outlaws discrimination in employment. An important basis for action was laid by ILO conventions C100 and C111 on Discrimination and Equal Remuneration which have been ratified by the large majority of UNECE member States, and the Convention on Workers with Family Responsibilities (C156), which has so far been ratified by 21 out of 56 UNECE member States. In the EU, the impetus for national legislation was provided in particular by Council Directives 75/117/EEC on equal pay and 96/34/EC on parental leave and 97/80/EC on the burden of proof in cases of discrimination based on sex. While the principle of gender equality has been integrated in legal frameworks, implementation and enforcement at the national level is lagging behind.

To address this challenge, some countries are now moving beyond establishing the formal right to equal treatment and equal opportunities in employment to introducing proactive legislation that aims at overcoming persisting inequalities. An example of such pro-active legislation is the introduction of quotas to increase the proportion of women in management and decision-making bodies such as corporate boards.

Gender quotas on corporate boards

The introduction of gender quotas is a contested policy measure. Quotas have been perceived to be *per se* discriminatory and opposed on the basis that they interfere with the efficient working of the labour market, where selection should be based on best skills and capabilities of candidates rather than their gender. Another criticism is that quotas may undermine women's professionalism and credibility, implying that their selection might not be based on their merit. Arguments in favour of gender quotas include that they help to speed up change if deadlines for implementation are set. The external impetus provided by quota regulations may be needed to incite changes in established ways of working that reproduce existing recruitment and promotion structures. The improved gender balance in management boards may bring the benefits of greater diversity.

A noteworthy example for the introduction of gender quotas is Norway, which was the first country in the world to enforce a gender balance in the boards of public limited companies.

Box 6. Gender-balance on the boards of Norwegian public limited companies

An amendment to the Public Limited Companies Act in 2003 required companies to have a gender balance (at least 40 per cent of each sex) on corporate boards. An agreement with the private sector first stipulated that the legislation would not come into force if businesses voluntarily increased women's representation on corporate boards to the required level of 40 per cent by July 2005. However only 68 out of the 519 public limited companies concerned (13.1 per cent) had achieved gender balance by this date. The legislation came into force in January 2006 and set companies a two-year deadline to comply with the rules with the threat of being dissolved by order of the court in case of non-compliance. As a result of this legislation, the percentage of women on corporate boards rose from 16 per cent in 2005 to 40.1 per cent in 2009. Norway is now the leading European country on this indicator.

Similar legislation has since been introduced in some UNECE member States and is being discussed in others (for example, France). Spain passed legislation in 2007 requiring companies to have a least 40 per cent of women at the board level by 2015. The Finnish Corporate Governance Code (2008) was designed to apply soft pressure on companies which are not legally obliged to reach a certain quota but who have to publicly explain when they have no women on the boards (applying the "comply or explain" principle).

Equal pay legislation

Most countries in the UNECE region have ratified the ILO Equal Remuneration Convention (C100) and many have introduced equality legislation containing provisions for equal pay for equal work or work of equal value. Although an international legal framework on the principle of equal pay has been in place for several decades, the gender pay gap persists. In the EU, the effectiveness of European law on equal pay is therefore under review. Depending on the results of the analysis, the European Commission may present new legislative proposals on this issue.

Recent reforms in the region have included measures to advance data collection on pay differentials and to stimulate employer commitment to implementing concrete measures to reduce the gender pay gap.

In Denmark, as of January 2007, all major companies are required to draw up gender-disaggregated pay statistics. Many companies are thus for the first time required to work on equal pay. In Finland, employers are required to carry out a specific pay survey and investigate reasons for any differences in pay as part of the gender equality planning required under the Act on gender equality between women and men (2005).

Box 7. Gender pay bargaining in France

Following equal pay legislation in 2006, French firms with more than 50 employees are now obliged to take steps to close the gender pay gap before 31 December 2010. Failure to produce a plan by this deadline will incur a financial penalty. The legislation obliges gender pay bargaining in companies and sectors.

Access to family-friendly working arrangements

It is now widely accepted that the ability to reconcile professional with family responsibilities is a key condition for achieving equal opportunities in employment. As discussed in Part II, a key impediment to greater gender equality in the corporate sector is the unequal sharing of paid and unpaid work.

Childcare-related leave entitlements and financial allowances continue to be predominantly addressed to mothers in most countries across the ECE region which tends to reinforce rather than overcome traditional gender roles in earning and caring. The gender effects of government policies are widely known and increasingly governments amend existing legal frameworks to improve access for both men and women to family-related leave and allowances, flexible working arrangements, and part-time employment.

Parental leave

An increasing share of UNECE member States has introduced paternity leave schemes. In most cases however, these entitle men to a few days or weeks of paid leave (less than one week in Hungary, the Netherlands; two weeks for example in Belgium, Estonia, Romania, and the United Kingdom) compared to significantly longer entitlements reserved for mothers.

One method of addressing the gender imbalance in family leave is amending maternity leave schemes in order to provide mothers with the option of sharing their leave entitlement with the father, for example when returning to work early. Canada, for example, has redefined supplementary maternity leave as parental leave in 2008. The sharing of maternity leave and pay with the father is also possible in Bulgaria, Finland, Spain and the Russian Federation.

Another measure to increase men's share in family leave is to introduce an element of non-transferable paid parental leave which is lost if not taken by the second parent (usually the father). Pioneered by the Nordic countries in the 1990s, this model has been followed more recently by Austria and Germany, who have revised their family leave legislation to encourage fathers to take a greater share in childcare.

Box 8. Parental allowance in Germany increases share of fathers taking parental leave

In Germany, two years after the introduction of an earnings-related parental allowance for 14 months in 2007, two of which are non-transferable between parents, the proportion of fathers taking up parental leave has increased from 3.5 per cent in 2006 to 16 per cent in 2009. Over one third of fathers on parental leave take up more than the two months of parental leave reserved for them.

Despite growing participation of fathers in child-care, notably thanks to advances in legal entitlements, mothers across the region take up larger shares of parental leave even where both parents are equally entitled by law. To address this imbalance, Sweden has introduced a gender equality bonus in 2008 to provide further incentives for parents to share equally the available leave. Parents who share parental leave evenly – by each taking the same number of days with benefit – will receive the maximum bonus.

A critical transition for gender equality is the return to the workplace after a period of leave. Access to flexible working arrangements, including the possibility of reduced working hours, are crucial conditions for a successful reconciliation of work and family responsibilities (which include the care for adults as well as children). Access to flexible working arrangements, including working time reduction, is increasingly facilitated through legislation to ensure equity of access across workplaces.

Flexible working hours

The European Social Partners recently revised their 1995 framework agreement on parental leave in June 2009 to increase the non-transferable leave entitlement from three to four months and provide parents with a right to request flexible working hours upon their return to work. They have requested that this framework agreement should be made legally binding for EU Member States.

In the United Kingdom, parents of children under 16 and caregivers of adults already have the right to request flexible working arrangements and to have their requests seriously considered by their employer. Other countries have gone further in providing parents with legal entitlements to reduce their working hours, for example Germany (2001), and more recently Austria (2004) where parents are entitled to work part-time until their child turns seven.

Box 9. Right to flexible working for Austrian parents

In July 2004 parents with children under seven received the right to reduce their working hours or have flexible schedules. The legal right applies to companies with more than 20 employees. Small companies with fewer than 20 employees who voluntarily grant working time flexibility to parents can request financial support from the government to alleviate the costs associated with the reorganization of working time.

The reform was evaluated in 2008 (Bundesministerium für Wirtschaft und Arbeit) and received a positive evaluation by the majority of affected businesses (64 per cent). 80 per cent of parents who made use of the entitlement reduced their working hours compared to 20 per cent who only varied their work schedules, while only 14 per cent of parents making use of the legal right were fathers.

How successful is regulation by legislation?

Voluntary initiatives have a positive demonstration and emulation effect, but their impact is not systematic and risks being relatively limited due to the lack of obligation for companies to implement good practice. The advantage of legislation is that it can have wider coverage to address persisting gender inequalities in the corporate sector and hence is a stronger tool for overcoming inequalities across sectors and workplaces.

Legislation can further prompt action and speed up change in the desired direction as has been illustrated by the examples on gender quotas and parental leave.

The challenge is however to effectively implement and **enforce** legal provisions. Gender quota legislation, for example, might not be successful in establishing a gender balance in corporate boards if it does not contain significant sanctions that apply in the case of non-compliance.

V. Policy Conclusions

A policy mix of encouraging, enabling, and obliging measures is needed to advance gender equality in the corporate sector. They should combine the following components:

(a) Encouragement of voluntary measures through:

- Researching and raising public awareness on the economic advantages to be gained from gender equality;
- Further establishing gender equality on corporate social responsibility agendas;
- Encouraging voluntary auditing and monitoring of progress;
- Certifying and awarding good practice.

(b) Capacity-building and support through:

- Training and guidance on how to advance gender equality in the workplace and to implement equality legislation;

- Financial support for the implementation of measures to reduce perceived cost-barriers for employers.

(c) A legal framework that:

- Is designed smartly to minimize regulatory costs to employers and to maintain maximal flexibility while advancing gender equality objectives;

- Is designed to enable enforcement through sanctions in case of non-compliance;

- Contains provisions for effective implementation and monitoring of impact on equality outcomes.

Women's strong under-representation in management and economic decision-making remains a challenge. This can be addressed through:

(a) Systematic analysis of the causes for obstacles to women's career progression;

(b) Concrete commitments by employers and social partners to promote equal opportunities at work, through collective agreement and voluntary initiatives;

(c) Establishment of transparent recruitment and promotion procedures;

(d) Further development of mentoring for women and support through professional networks;

(e) The introduction of mandatory gender quotas in economic decision-making bodies to establish gender balance and to create role models for women.

The difficulty of reconciling paid work with unpaid family responsibilities remains a key challenge. This can be addressed through:

(a) Legal entitlements to paid parental leave, flexible working arrangements such as working time reduction and flexible work-schedules;

(b) The adjustment of tax and benefit systems in order to provide equal incentives for men and women to share paid work and unpaid family responsibilities;

(c) The development of comprehensive, high quality and affordable child and elder care services, including employer-provided services;

(d) Training and other support measures to facilitate the reintegration of workers after a period of family-related leave;

(e) Family-conscious and supportive work cultures in which family-friendly working patterns should not penalize career advancement.

In order to further reduce the gender pay gap, further actions are needed:

(a) Collection of comprehensive and comparable gender pay statistics;

(b) Monitoring of wage differences and investigation of their causes;

(c) Development and application of methods for gender-neutral job evaluation;

(d) Development of action plans to address the gender pay gap through concrete measures in collaboration with the social partners.

Employers cannot solve persisting gender inequalities in the corporate sector on their own. Many of the observed inequalities in the world of paid work are conditioned by the wider societal environment within which companies operate. It is important to tackle prevailing gender biases and stereotypes, for example in education and training, which contribute to occupational segregation (see also ECE/AC.28/2009/3). A culture of equality and opportunity is needed within which all can thrive to their full potential.

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