



**EUROPEAN COMMISSION**

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## **The Tug-of-War over the Women Quota**

Check Against Delivery  
Seul le texte prononcé fait foi  
Es gilt das gesprochene Wort

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How has society changed as the world is becoming more digital? – This is the central question of this year's DLD Women conference.

Data is racing ever faster, we grow ever closer together. Totally connected, we live in a global village where technical standards are becoming more similar by the day, while our societies are still culturally diverse. And we should be proud of that. In Europe we know that the diversity of our continent is the source of many creative achievements, and diversity is the source of Europe's cultural and economic wealth.

Most companies have understood this and encourage diversity at all levels. Indeed, according to many studies, mixed-gender business teams perform better than all-male companies.

To say it bluntly: in today's environment, a group of middle-aged, business suit wearing men will not make the cut. A team of leaders that cannot relate to the background and daily lives of large parts of the population is simply not good enough. Women take 80% of purchasing decisions – and we are not talking about bread or washing powder here. Most businesses know this. But for those who still need convincing, I can only advise you to look at the numbers!

(The economic and business case)

There are plenty of good economic reasons for a stronger female presence in corporate leadership positions.

The "glass ceiling" that keeps women out of decision-making roles is likely to discourage them from using their full professional potential. Poorer career prospects discourage women from continuing in paid employment. This hampers economic growth. And it's a price that we cannot afford to pay, as ageing European societies have to make full use of their talents to successfully compete in a globalised world.

In other words: without more women, European companies will lose the battle for the best and the brightest. Incentives for women to enter and stay in the workforce, including real career prospects, are essential. Such a prospect would be to open the door for women to top management positions.

Studies carried out by 'non-feministic' organisations suggest that companies with more women in management positions perform better financially. For example, an analysis by Ernst & Young reviewing the 290 largest listed companies (including German ones) found that sales and earnings in companies with at least one woman on the board are significantly higher than in companies that have no female members on the board.

Clearly: Women mean business, not extra costs!

The economic performance of Norwegian companies after the introduction of mandatory quotas is another telling example. Studies point to either no difference or an improvement in the companies' performance. And this is in spite of a short implementation period for an ambitious quota of 40%. In addition, supervisory board members report that the new female members have contributed to more objective assessments and better quality decisions of the boards.

(State of play)

So why is it that progress towards more gender-diversity on corporate boards is so painfully slow and stubborn?

Between 2010 and January 2012, we saw an increase in the number of women on boards of 1.9 percentage points in Europe – the most significant progress in many years and yet, at this rate, it will take us decades to get even get near gender balanced boards. In January this year, 86% of board roles within major publicly listed companies in Europe were held by men. Roughly 97% of CEOs in these companies were men. In Germany, men accounted for around 84% of the members on the supervisory board of DAX 30 companies. In fact, when we look at the figures, we see that a quota is already in place – a quota that favours men for the top jobs.

The good news is, not all European countries are lagging behind. In France – which adopted a legislative quota last year – the percentage of women on the boards of CAC 40 companies has already reached around 22%, 10 percentage points more than the year before. Companies are racing to get the best candidates to fill vacant positions on their boards even before the quota has officially entered into force.

So we have seen examples of how it can work. But we need more than just "examples". We need real progress. In these tough economic times, we should make use of every smart brain we can get – and women account for more than 50% of the population and 60% of all university graduates.

(The way forward)

You might now ask: is it the job of politicians to intervene? And if so, how?

It is encouraging to see that the DAX 30-listed companies have set specific goals and targets for increased participation of women in leadership positions. Unfortunately, this commitment does not extend to supervisory boards or executive positions. Therefore, I strongly support the Berlin Declaration calling for binding targets to improve the presence of women on boards. And 300 female journalists initiated a declaration pushing for more women in publisher and editor-in-chief roles in the German media. I know how hard it can be to start out in a male-dominated environment – I have experienced it first hand when I began my career at the Luxemburger Wort. This experience also led me to push for more women in ICT. When I was the EU's Telecoms Commissioner, I noticed how few women work in this sector, an industry with an enormous potential. Already then, the shortage of high-skilled workers in ICT was apparent. The solution, I knew then and I know it now, are more women. That is why in 2007 I started the so-called "Shadowing initiative". On a Shadowing day, young girls follow a successful woman from the ICT sector (engineer, executive or politician) through a typical working day, meet male and female ICT experts and get a taste of what it might be like to work in the ICT sector. I wanted to show girls that ICT is not only a men's world, but that ICT is "cool", as well as one of the key future industries. This was an initiative that I took as EU Telecoms Commissioner to push for more women in the ICT sector.

So what am I doing today, as the EU's Justice Commissioner?

First, I encouraged companies to self-regulate and gave them time to prove that they are serious about bringing more women onto their boards. In March 2011, I urged listed companies to sign a voluntary commitment called the "Women on Boards Pledge for Europe". Only 24 companies signed this pledge. Clearly, self-regulation did not bring about a significant improvement.

In a second stage, I wanted to hear the views of stakeholders, businesses, Member States and citizens. On 5 March the European Commission launched a public consultation that lasted until the end of May.

The number of received responses, shows the great interest in this matter: the Commission received responses from almost 500 individuals, companies, organisations and governments from all over Europe most of them coming from Germany. We are now analysing all the responses and preparing an economic analysis before tabling a proposal before the end of the year. This will be the Commission's contribution to improving the gender balance on company boards in Europe.

(The quota debate)

I am aware that many companies and policy-makers are opposed to mandatory quotas. Well, I do not like them either. But I like the results they bring. If – and I say if! - our analysis shows that a mandatory quota is the most effective and proportionate way to achieve progress it is our duty to do what is best for our 500 million citizens in Europe, and for the whole economy.

The quota divides minds! It is like a tug-of-war with two parties pulling and pushing on both ends. On one side there are strong quota supporters like the European Parliament, women organisations and national politicians, including my colleague Ursula von der Leyen and other signatories to the Berlin Declaration. On the other side you have the quota opponents who raise two main arguments: first, there are not enough qualified women to fill the posts and second, the EU has no competence to act here.

Let me start by discrediting the first argument: I refuse to accept that there just aren't enough qualified women to fill posts on supervisory boards. Just look at the list of 7 000 "board ready" women that European Business Schools published: you will see that there are plenty of highly qualified women in Europe, ready to go on the boards as of tomorrow! All of these women fulfil the stringent criteria for Corporate Governance as defined by publicly listed companies. The pool of talent is there: companies should now make use of it.

Secondly, the issue of (no) competence: Gender equality has been an EU objective since the Treaty of Rome in 1957. However, despite significant progress, only 14% of today's boardroom members in EU listed companies are female. That is why, an increasing number of Member States, in fact eleven (France, Italy, Belgium, Denmark, Portugal, Austria, the Netherlands, Spain, Greece, Finland and Slovenia) have already adopted legislation which introduces different kinds of quota rules for companies. This is also important for Europe's internal market where we are starting to notice fragmentation as a result of divergent national quota legislation, for example in the field of public procurement where some Member States now have the possibility to exclude bidders who do not comply with the national quota law.

When drafting a legal instrument on a "European quota", it is clear that we must not discriminate against individual candidates competing for a particular position in a company. It is therefore of key importance that Article 23 of our EU Charter of Fundamental Rights explicitly says that specific measures in favour of the under-represented gender are legally possible – but, only if there is under-representation. Thus by definition, quota rules must be limited in time, otherwise they would lead to further inequality. Whatever I will propose, qualification and merit will remain the key criteria for a job on the board.

The Commission is currently assessing ways in which we can best balance the fundamental right of gender equality with the freedom to conduct a business. My personal view has always been that an EU quota rule should be focused on the members of the supervisory boards of companies, or to the non-executive board members in one-tier company structures. You will see the result of our assessment in the legal instrument which the Commission will propose before the end of this year.

The quota might - I say "might"! – be a necessary tool to break the glass ceiling and provide the most qualified candidates with the opportunity to succeed.

Ladies and gentlemen, we have a common goal. Let us work together for equal opportunities in leadership positions where gender is not the key factor for the benefit of Europe's economy. I hope you will join the right side in the tug of war over the women quota!

Bringing more women on boards is not just the right thing to do. More women on boards is the bright thing to do!