

International conference “Corporate Governance: a Search for Advanced Standards in the Wake of Crisis”

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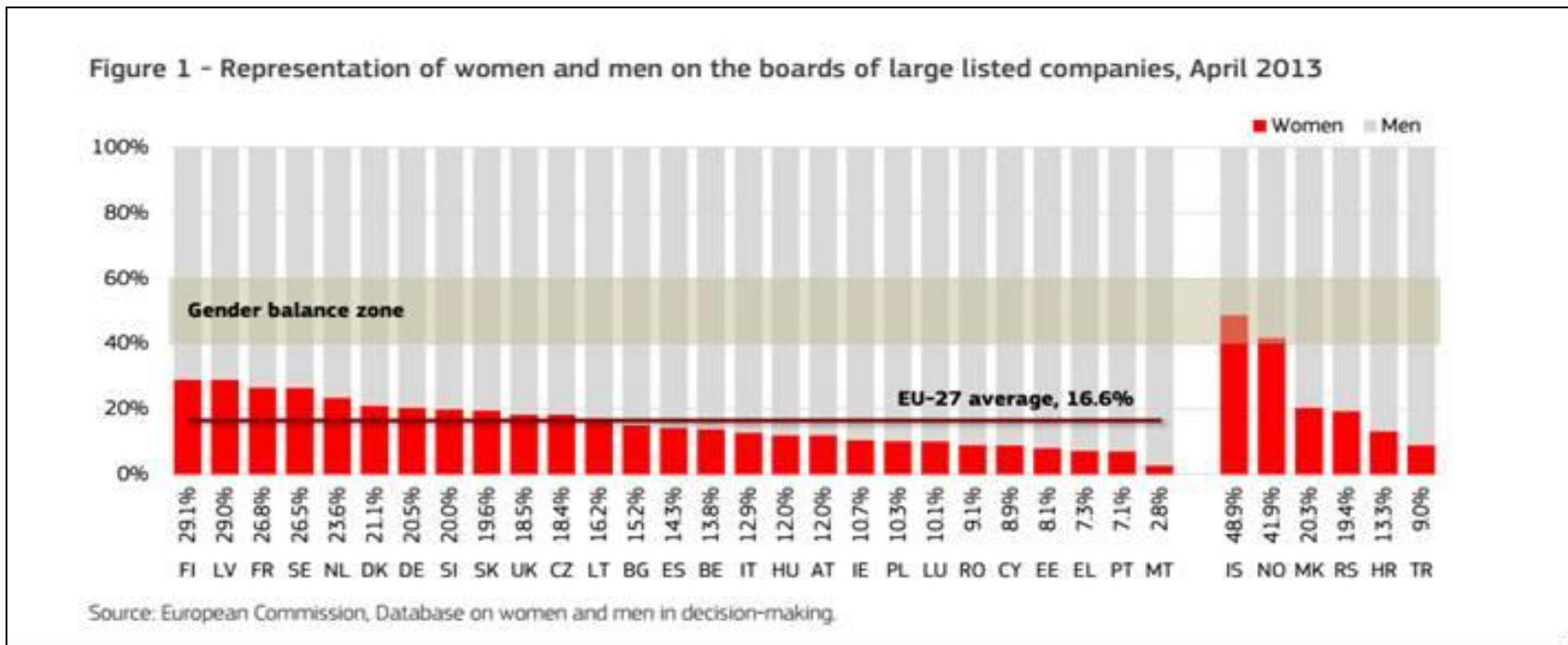
**WOMEN IN THE
BOARDROOM.
THE ITALIAN EXPERIENCE:
LAW AGAINST EMBEDDED
TRADITION**



Introduction

1. Gender diversity and corporate governance
2. The invisible barriers defined as the glass ceiling
3. Tools to solve inequality and promote a cultural change
4. The italian case
5. A way to be followed

Women and men representation on the boards



Women have achieved important conquest about equality of rights and opportunities in the business world but they still remain under-represented at the top levels

Women boards participation

Data shows that women account 16.6%, or one in six, of board members of the largest public listed companies in the EU-27.

- The highest levels of female representation on boards occurs in Finland 29.1% and Latvia 29%, closely followed by France 26.8% and Sweden 26.5%.
- The Netherlands, Denmark, Germany and Slovenia are the only other EU Member States to have at least 20% women on boards. UK do not reach this goal as the percentage falls to 18,5%.
- Italy positions itself under the average as women account 12,9% which means one in eight of board members are women. Austria follows with its 12%.
- In Romania, Cyprus, Estonia, Greece, Portugal and Malta women hold less than one in ten positions.

Women boards participation: why?

There are studies which:

- declare that women board participation creates value and that try to point out key women strength (Davidson, Burke 2000) such as “multitasking, team work, communication”
- claim that "endorsing women is worth“ (McKinsey 2010 - "Women Matter 2010 - Women at the top of corporations: Making it happen“) and show how companies with higher proportion of women in their executive committees have better financial performance:

The studies show how the average *ROE* calculated on 2007-2009 period for 279 companies, proves to be 41% greater for the companies which have women representation in executive committees. Also, the average *EBIT* margins calculated on the same period but for 231 companies (banks, insurance and financial services have been excluded), proves to be 56% greater.

Women boards participation: why?

BUT THIS IS NOT THE POINT HERE:

... the question should be differently formulated. That is: Why not?

... we have a problem of equal opportunities here as we are talking about gender *de facto* exclusion

... we start from the assumption that this is a cultural bias – especially in certain countries as Italy – and we look for ways to reduce it

The “glass ceiling” phenomenon

U.S. Department of Labor defines it as:

Set of "those artificial barriers based on attitudinal and organizational prejudices that prevent qualified individuals to advance and reach managerial positions in the organization in which they work"

The phrase was coined almost two decades ago by the Wall Street Journal in 1995 and in the United States was established the Glass Ceiling Commission.

It manifests through different kinds of discrimination such as:

- i) avoiding women recruitment;
- ii) isolating them at certain positions - especially technical - which do not provide career paths and professional progress;
- iii) excluding female employees from training activities,
- iv) blocking their access to the informal communication network among male colleagues,
- v) sabotage behavior (mobbing).

The “glass ceiling” phenomenon

A group of American Businesswomen proved that there are three main reasons for women difficulties in reaching the “C-level” (Chief-level) position as follows:

- **Networking.** Networks formed at top levels are composed mostly by men, for women is difficult to enter, often they face social discrimination which undermine their position and impede their professional achievement
- **Stereotype about directional female capacity.** Women are considered fair leaders only in specific areas considered as "feminine," such as health, education or social welfare.
- **Lack of models.** Young women starting they carriers would be encouraged to lean in if only the number of successful women would be higher and if only the social perception of female success would be positive and univocal.

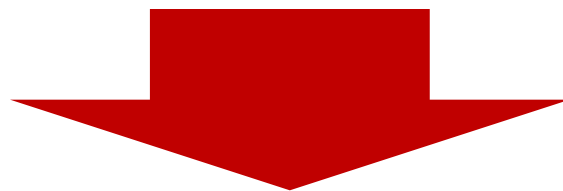
The problem of the Glass Ceiling remains unresolved and needs an urgent solution as it causes waste of unused resources that should instead be capitalized on to increase business companies productivity and countries wealth

The Italian situation: some figure

- From 2004 to 2008 we assisted to a growing trend up to working-women to 47,7%. With the crisis in 2011, the percentage went back to 2006 levels reducing to 46,1% (the corresponding percentage of men is 67,7%). In November 2012 it raised to 47,2%.
- In the south of Italy only 3 women on 10 are working and the young women unemployment rate reaches 40%.
- If women employment rate would rise to 60% , PIL would raise of 7% (Banca d'Italia)

What happens in Italian Universities? (Alma Laurea)

- Girls are **60,1%** of graduate
- Girls are faster in getting their degree: **40,6%** get it in time (vs 37% of boys)
- Girls get higher final grades: **104,2** (vs 101,4 of boys)



The problem clearly seems not to be «merit»

The legislation in support of women's work in Italy

This legislation can be divided into three main areas as :

- **social policy** (retirement, insurance against diseases, fiscal policy and unemployment)
- **legislative measures concerning the family role** (services for children, child care, the dispositions for the relieve and the gratify of motherhood and fatherhood)
- **legislative government policies promoted to influence employers attitudes** (dispositions for equal pay and guarantees and equal employment opportunities)

A first and relevant step can be found in the Article 3, 37, 51 e 117 of the Italian **Constitution** which anticipated in **1948** among the others the important principle "**equal pay for equal work**" regardless to the gender.

The legislation in support of women's work in Italy

During the seventies women issue in professional contexts came to attention by the introduction of new rules and different laws:

Law 1204/1971

- forbade women dismissal from the beginning of a pregnancy until the end of the first year of the child's life
- the prohibition to assign to women jobs considered harmful such as night work, underground work and heavy work

Law 903/1977

- promotes equality of treatment between sexes
- promotes the economical independence of women
- equal treatment for social security purposes (e.g. family allowances and reversible retirements)

Law 125/1991

- establishes a National Committee at the Ministry of Labor and Welfare
- equal works opportunity

Law n. 285/1997

- programs to help women to lean in and enter the job market
- social and educational services for early childhood



BUT THIS:

**WAS NOT ENOUGH & WAS FOCUSED ON THE BASIC LEVEL
OF HELPING WOMEN GET A JOB**

The Golfo-Mosca law (n. 120/2011)

WHAT HAS "SUDDENLY" HAPPENED IS FOCUSED ON AN HIGHER AND DIFFERENT LEVEL

The law n. 120:

- was approved on 28 July 2011 and entered into force on 12 August 2011 through the bipartisan commitment of two women and Members of Parliament *Lella Golfo* and *Alessia Mosca*;
- had to be applied starting from the first renewal of the administrative and control board of listed companies subsequent to a year of the entering into force of the law which is 12 august 2012.

It provides a strong innovation for the Italian corporate law as it introduces a regulatory intervention about the women presence in management board and in supervisory board.

The Golfo-Mosca law (n. 120/2011)

1. The less represented gender must obtain: **at least 1/3**
2. For the first mandate of the law application: **at least 1/5**
3. If the company fails to respect the gender criteria in the composition of the Boards, the penalty imposed is the automatic laying off from their position of the elected members of the board of directors

4. This distribution criteria should be applied for three consecutive mandates

It is an «educational» law

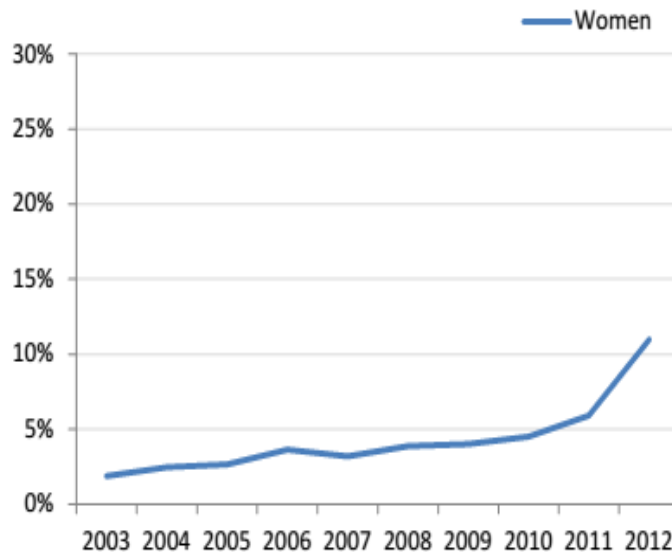
➤ **The only notice of the future entry into force of a female quota law has caused an increase of the women number in the corporate bodies.** Already in 2011, 21 listed companies, such as Telecom, Pirelli, CIR and Mediobanca have “spontaneously” decided to move up carrying out the female quota, before its entry into force. Others have directly alligned to the 1/3 as Maire Tecnimont.

➤ **Aim of the law is also to implement an educational path and to give to companies the opportunity to realize that gender diversity creates value. After the third mandate the company is free.**

➤ This should drive to a common change of mind on the quota matter and to freely decide to put old habits aside

The law effect on Italian companies: a huge discontinuity

- The proportion of women on boards in Italy has risen from nearly 2% in 2003 to almost 7% in October 2011, this represents an average change of 0,6% percentage point per year. Almost half where women coming from or linked to the family the companies can be referred to.
- Between 2011 and the end of 2012 the scenery completely changed: there was an increase of 5 percentage points in one year, which represents a significant acceleration in the rate of change



Source: European Commission's database on women and men in decision-making

The impact of the law on Italian listed companies

To reach the goal of the one-third quotas (Golfo-Mosca law) in June 2012:

Regarding *Listed Co.* the number of women needed was in total 828 for boards of directors and 256 for the supervisory board. Considering women already appointed it was then necessary to substitute **a total of 769** men:

- 586 in boards of directors;
- 183 in supervisory board.

Regarding *Public Co.* it is estimated that **4.500 women need to be appointed** on boards. This result is given to the large number of companies involved in the process which is estimated in almost 2.5 thousands with almost 13.500 board members involved.

The impact of the law on Italian listed companies

Table 1: Italian listed companies board of directors: the gap to be filled

	June '09	June '10	June '11	June '12
Total position	2,772	2,685	2,641	2,483
Position dealt by women	170	180	191	242
Percentage of women	6.13%	6.70%	7.23%	9.75%
Quota at 33%	924	895	880	828
Position to be riassigned	754	715	689	586

Table 2: Italian listed companies' supervisory board (chairwoman and effective auditors): the gap to be filled

	June '09	June '10	June '11	June '12
Total position	847	822	804	769
Position dealt by women	52	57	55	73
Percentage of women	6,14%	6,93%	6,84%	9,49%
Quota at 33%	282	274	268	256
Position to be riassigned	230	217	213	183

Women at the top level of Municipal Companies

On October 2012 a survey carried out by *Corriere della Sera* and *Governance Consulting* shows that on 74 Municipal companies considered, counted 278 directors and 324 auditors. As shown on Table 3 women represent 14,4% of the boards of director and 19,3% of the supervisory board.

Milan and Turin are on the top list achieving nearly one third boardroom gender quota which will be mandatory following the entry into force of the legislation. Four municipalities on nine, do not reach the proportions of 10 percent: Rome at 4.6%, Venice to 7.1%, Florence at 9,5% and Palermo to 8,3%.

Table 3: Women on the boards of the eight larger Municipalities

	<i>Board of directors</i>
Milan	29,7%
Turin	24,0%
Bari	12,5%
Naples	12,5%
Bologna	11,8%
Palermo	8,3%
Venice	7,1%
Rome	4,6%

Women at the top level of Municipal Companies

Table 4: Women on the supervisory board of state-owned companies operating in the eight larger Municipalities

	<i>Supervisory Board</i>
Milan	35,9%
Bologna	32,0%
Turin	30,0%
Palermo	16,7%
Venice	16,4%
Bari	12,5%
Naples	5,7%
Rome	2,2%

This table points out that only Rome and Naples show the lowest percentage of women presence on supervisory boards, while in Bari their participation seems to be in precise proportion



Lean in ...

- The important absolute number of women needed has been sometimes considered a string to the bow of those who were hostile to the implementation of the law, which sometimes suggested in the debate the idea that such a number of high qualified women was not available in the labor market.
- This is the reason why, as the debate started getting serious and the necessity to have professional women to hold prestigious positions became real, we assisted to the **springing out of more than one initiative – from recognized institutions - to simplify the matching between demand and supply in this specific segment of the labour market.**

Lean in ...

Only to make an example we quote here some among the most famous:

- **Fondazione Bellisario 1.000 Eminent CV Data base** - in 2011 a media campaign invited – from main Italian news papers - high qualified women to submit their CV and to participate to a selection driven by an external head hunter with the aim to be included at Bellisario 1.000 Eminent CV Data Base;
- **Professional Women 's Association portal** - through this portal a list of qualified women is directly accessible. According to the association this is a bright way to give visibility to qualified women. Candidates are selected according to criteria identified in cooperation with the Centre of Diversity Management at Bocconi University;
- **Progetto Donne e Futuro** - the project aims at creating networks among women at a local level and help the endorsement of younger woman.

ITALY: AN EXAMPLE TO FOLLOW

On 7 May 2012, in Brussels, Viviane Rending (Justice European Commissioner) declared that Italy is an “example to follow”, as having more women leading companies isn’t a cost but an economic gain. According to her Italy is an example to follow because it has signed a strong law and therefore **has decided to launch in a incisive way a mechanism that will allow in a short period of time the women affirmation at the top of the hierarchical scales of the most important companies in the country.**

On this basis at the beginning of September 2013, Viviane Rending has started procedures for a Legislation concerning gender quotas for all 27 EU countries. The proposal, supported by European Commission President José Barroso, has the aim to **ensure European women the 40% of the positions on the boards of the listed companies by 2020, and public corporations by 2018.** This initiative has caused a rift in Europe.

EU countries Response to the Legislation

- Some of the EU countries (Netherlands, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania and Malta), lead by Great Britain, opposed to the EU Directive.
- In fact, according to British government imposing gender quotas is not efficient, it should be a voluntary mechanism to encourage companies for recruiting women.
- However, to improve the situation on how to improve women participation depends on the economic, social and cultural country situation and development.
- **WHAT BECOME CLEAR is that all the European countries now recognize, effectively, the need to take actions and to find solutions to what is finally considered a problem.**

CONCLUSIONS

The legislative action was needed to resolve the situation of de facto unfair inequalities. Enforcing a specific law was necessary then - in Italy - to sweep away embedded traditions.

The choice of introducing in Italy the female quotas appears smart as it aims not to impose forever the boardroom gender quotas, but to promote a cultural change which then is expected to continue even without a regulatory requirement.