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Exchange of good practices on gender equality

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Gender Quotas on Company Boards

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1. Introduction

Iceland passed the Gender Equality Act in 1976, in an attempt to secure the equal influence of women and men in society, to work against gender-based discrimination in the labour market, and to enable both women and men to reconcile their work and family life. As seen by this, the Gender Equality Act in Iceland is quite labour-market oriented. That reflects the fact that Iceland has the highest rate of women's participation in the labour market among OECD countries, or 77% in 2011. The information from Statistics Iceland is for the age group 16-74 years old. Women are 48% of the Icelandic labour force and they work on average 35 hours a week, while men work on average 44 hours a week. Majority of women or 64% work fulltime (on average 41 hours a week) compared with 87% of the men (on average 47 hours a week). This workload has been facilitated by childcare for pre-school children, a legal right for parents to return to their jobs after childbirth, and nine months paid parental leave, of which the fathers are entitled to a minimum of three months (Statistics Iceland n.d.; Gíslason 2007; Gender Equality in Iceland n.d.).

Although the World Economic Forum's Global Gender Gap Report has ranked Iceland in first place for three consecutive years in 2009, 2010 and 2011 (Hausmann et al. 2011), Icelandic labour market is still highly gender segregated. Men and women are partly presented in different sectors. Women are over represented in the service sector and men in the industrial and production sectors (Statistics Iceland, n.d.). Women are in addition highly underrepresented in CEOs positions, especially in private corporations.

In the year 2010, women account for 20% of all managers in the labour market and 24% of corporate boards members. Women are 23% of the chairmen of the boards. If we only look at larger corporations, those with 250 employees or more, only 10% of the women are managers, women are 22% of the board members and 7% of the board chair (Statistic Iceland, 2011). The situation is better in public corporations, where women are 40% of all board members (Rafnsdóttir and Styrkárssdóttir, 2009). Public corporations are influenced by the equality law's provisions on gender parity (*Lög um jafna stöðu og jafnan rétt kvenna og karla* nr. 10/2008), which requires at least 40% of each sex to be represented on boards and in senior management.

According to Credit Info (2009) 71% of all corporations in Iceland had only men at the boards, 14% had only women and only 15% of the corporations had both gender on the boards. One year later no changes had occurred.

Unfortunately a gender pay gap of 10-15% is still visible in Iceland and Icelandic women are engaged in unpaid domestic work to a higher degree than men. Stefánsson (2008) show that even if men now a day participate in childcare and domestic work, women still have the main responsibility and spend more time than men for most of the domestic work and childcare. According to Stefánsson and Thorsdóttir (2010) it has been estimated that when working hours at the labour market and in families are counted, employed married women with children work up to 90 hours a week when

married employed men with children work 79 hours a week. Pétursdóttir (2009) and Rafnsdóttir and Hejstra (2011) have explained higher mental distress among women than men in Iceland by higher workload and less private time, due to more difficulties for women in combining work and family obligations.

Iceland was hit hard during the global financial crisis in the fall 2008 when its three major banks collapsed. Prior to this, from 2002 to 2008, the banks had grown rapidly and extensively, led by a relatively small group of younger males. Loftsdóttir (2010) describes how the values of Icelanders during the economic boom were connected to Icelandic “heroic” business men leading the country. This was fuelled by a masculinity that was supposed to be brave, gallant and daring. In the wake of the economic crisis, a connection between this type of masculinity and the crisis was often mentioned. Therefore it is not surprising that people’s demands about more women in leading positions in the economy became apparent in the mass media and elsewhere. It was intended to lead to a less risky conduct of business.

The Confederation of Icelandic Employers are among those who have, during the last years, argued that it is both important and reasonable to increase the number of women in leading positions in Icelandic private companies. In 2009 the Confederation signed a contract together with the Icelandic Association of Women Entrepreneurs and the Icelandic Chamber of Commerce, where they undertook a commitment to increase the ratio of women sitting on company boards in private corporations. The main goal was to reach the proportion of each gender to a minimum of 40% by the end of 2013. However only a small number of women became recruited onto these corporate boards and still only a small minority of women serves as managers and CEOs in these corporations.

Gender quotas

As a response to the slow pace of change in the boards of corporations, the government of Iceland adopted a law in February 2010 on 40% gender quota for private company boards, to take full effect the 1st of September 2013 (Lög um breytingu á lögum um hlutfélög og lögum um einkahlutafélög nr.13/2010). Companies that have over 50 employees are obligated to have both women and men on their company boards and if the board members are more than three, the percentage of women or men cannot be under 40%. This means that in 2013, Iceland will become the second country in the world to fulfil a law on 40% gender quota on company boards, next after Norway. There are many similarities between the Icelandic and the Norwegian laws. However, while the sanctions for breaching the Norwegian quota law are rather strong, no sanctions are implemented in the Icelandic law (Sigurðardóttir, 2011).

In addition to the law on gender quota in company boards, 40% gender quota will be required in the boards of Icelandic saving banks in 2013 (Alþýðusamband Íslands, 2011) and among municipal committees (Sveitarstjórnarlög nr. 138/2011). Since 2008, Iceland also has a law which requires at least 40% of each gender to be represented on boards and in senior management in public corporations (Rafnsdóttir and Styrkárssdóttir, 2009). Nevertheless, legal actions to increase the representation of women in business, including gender quotas, are seen as a radical step and have been met with some scepticism (Rafnsdóttir, 2011).

2. Policy debate

The male dominance of the economy and public life stands in contrast to the public image of Iceland as a gender equal society. This was noticeable in the economic boom and collapse in 2008, as shown by the gender review of the Report of the Special Investigation Commission (Einarsdóttir and Pétursdóttir 2010). There is a huge debate in Icelandic society about different reform programs the government has presented since 2009, as a way to rebuild the economic system. But even if it is known that there is no general agreement regarding the gender quota laws in the boards of corporations, especially not among managers (Rafnsdóttir, 2011), the critical voices are not prominent for the moment. It will possibly change when the 1st of September 2013 comes closer. Understandably, the gender quota laws have more support from the middle/left wing parties that now build the national government (The Social Democratic Alliance and the Left-Green Movement), than from the middle/right wing parties.

Results from February 2011 shows indeed that the majority of both women and men in Iceland are for gender quotas in business and for increased gender equality among top leaders in management. However there is a significant difference between men's and women's attitude. More women (72%) than men (51%) support legislation on gender quotas for the boards of private corporations ($p < 0.001$). Also, more women (85%) than men (71%) see it as important to equalize the proportion of men and women in top management of private companies and public institutions ($p < 0.001$) (Rafnsdóttir, 2011).

Rafnsdóttir (2011) further shows that the majority of both female (97%) and male (74%) managers in Icelandic public and private corporations support the statement: „It is important to increase gender equality among top managers“. However there is a significant difference between the attitude of women and men managers, where 23% more women than men support the statement ($p < 0.001$). The gender difference increases when asking the managers if they support the new gender quota legislation, as 69% of the female managers compared to only 25% of male managers agree with the following statement: “I support laws on gender quotas for the boards of private corporations” ($p < 0.001$).

The majority of both female (76%) and male (66%) managers believe that the lack of women among top leaders is due to institutional and organizational factors. This is the only statement that shows no significant difference between gender. The majority of women, (78%) and almost half of the men (48%) believe that the lack of women in business leadership is due to sexist conservative stereotypes, as well as traditions and customs about what is considered appropriate for women and men ($p < 0.001$). A little over half of the men (54%) but only one third of the women (33%) believe the lack of women among top leaders in business can be explained by a lack of interest among women for this type of work ($p < 0.001$). The gender difference increases however when the managers are asked to respond to the following statement: “The fact that fewer women than men belong to the top leadership of business and public institutions can be explained by the fact that men are not interested in appointing women to these jobs“. Surprisingly a large majority of female managers or 76% agree with the statement and almost one third (31%) of the male managers ($p < 0.001$) (Rafnsdóttir, 2011).

Only a few women and men believe that the lack of women in top leadership in business is due to physical factors (4% women and 10% men) or social factors (4% women and 12% men) that is not possible to change. However more male than female managers are likely to agree with these statements (Rafnsdóttir, 2011).

3. Transferability issues

As mentioned above, the Icelandic national government (The Socialdemocratic Alliance and the Left-Green Movement) decided the year 2009 to choose the „Norwegian way“ to improve the career outcomes for females and to break the glass ceiling in the economy, by implementing gender quotas in business boardrooms. The reason was among other things the fact that even if the Icelandic government and the Confederation of Icelandic Employers, the Icelandic Association of Women Entrepreneurs and the Icelandic Chamber of Commerce had quite frankly encouraged corporate leaders, executive teams and representations of the boardrooms to get more women into the corporate boardrooms and the management in general, there number of women in the boards did not increase. What is more, following the economic crises in 2009, the number of women in corporate boardrooms decreased, even though the voices were loud that connected the new economic crisis to the lack of women in top leadership in the economy.

When reflecting about the transferability of the Danish or the British good practices, neither the Icelandic government nor official organized interest groups have in fact systematically introduced other methods than the gender quota law to increase the number of women in top leadership in the economy. However it is worth mentioning that as an effort to increase the number of women in parliament and in town councils, a political party - the Women's Alliance - ran for the first time in local election in the town council of the capital Reykjavík and in the 2nd largest town, Akureyri in 1982. One year later, in 1983, the Women's Alliance ran for the first time in parliamentary election. It is also worth mentioning that until 1999 there were gender divided labour unions in Iceland. The main aim of the women's unions that existed in Iceland during the 19th century was to strengthen the position of women in the labour market work. Thus, Iceland has a tradition of “special efforts” to increase the number of women in different fields of the society. That possibly explains why the gender quota laws have not met more open resistance in Iceland, even though some of the labour market partners are against it.

Before the gender quota laws were adopted, the Icelandic government, the Labour Union and the Confederation of Icelandic Employers, used the mass media, conferences and meetings to encourage corporations to choose more women to leading positions in the economy. It was moreover asserted that more women in the boardrooms and in other leading positions in corporations would increase the economic growth and improve the management.

The Icelandic Association of Women Entrepreneurs, founded in Iceland in 1999, has worked hard for making female entrepreneurs more noticed in the business world. To show that there is enough number of female candidates available for company boards, and to widen the circles from which the candidates were selected, the Association has a couple of times announced the names of up to 200 women, who are able to take a seat in company boardrooms. The names are also to be found at the Association's webpage¹. But the results have been rare.

¹ See the page: <http://www.fka.is/?i=175>. It is possible to press a button to get a list over possible candidates for company boards. Due to the lack of women's entrepreneurs in leading positions in the economy that are prominent in mass media, it is also possible to press a button to get a list over entrepreneur candidates to be interviewed in mass media.

The Danish and the British good practices are of importance and it will be interesting to follow the results of their methods. However, voluntary commitment aiming at improving the number of women in top leadership in private corporations has not given good results in the Icelandic economy so far. Eventually the earlier attempts have not been guided well enough. Therefore it is important to follow systematically the impact of those different actions over time; i.e. the mandatory legal framework vs. the voluntary regulatory framework or commitments

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