CHAPTER 19

Gender Quota for Workplace Inclusivity: A Mere Band-Aid?

Vartika

Introduction

> If they don't give you a seat at the table, bring a folding chair.
> —Shirley Chisholm (First African American Women elected to the US congress)

"Exclusion" is a word that women are too familiar with. It often gives them the impression that the social contract is only between the males of the society and the females will only have to register protest to get into it. It has been a century since women got their first universal suffrage (women in New Zealand got the right to vote in 1893 even as their peers around the world were waiting for a movement to start), and half a century since the first equal pay legislation got underway in the US. However, when we talk about the inclusivity of women at the workplace, we are nowhere compared to the quantum leaps and progress that we have made in technology in the same timeframe. It seems easier to go on

Vartika (✉)
Jawaharlal Nehru University, New Delhi, India

J. Marques (ed.), *Exploring Gender at Work*,
https://doi.org/10.1007/978-3-030-64319-5_19

Mars than to change societal constructs and gender biasness. The reality is that the world still underpaid and overlooks half of its talent pool (Parker, 2016). The World Economic Forum's global gender gap index studies the historical trends and changes in gender gap for 109 countries and estimates that it will take the World 118 more years to close the gender gap (World Economic Forum, 2016). If this means that women will have to wait 118 more years for a seat at the decision maker's table, then it probably is time to start one more movement.

The conspicuous absences of women from corporate boards have drawn the attention of academics (Hillman, Shropshire, & Cannella, 2007), policymakers (OECD, 2009), practitioners, and business analysts (Grant Thornton Report, 2014). Academics have assigned this shortage often to the "pipeline problem" that means a lack of qualified women in lower and mid-level leadership roles led to the lack of a talent pool. This shortage has been attributed to the variety of causes, like women's domestic responsibilities (Greenhaus & Parasuraman, 1999) and lack of adequate display of the traits and motivations that are necessary to attain and achieve success in high-level positions by women due to the way they are brought up (Browne, 1993). Proponents of social role theory attribute this pipeline problem to differences in societal roles that lead men and women to demonstrate and value different types of interpersonal behaviors (Eagly & Johannesen-Schmidt, 2001). According to this theory, men tend to value and engage in more assertive, competitive and agentic behaviors, whereas, women tend to value and engage in more communal behaviors and hence, traditionally have been occupying more caretaking roles (Koenig, Eagly, Mitchell, & Ristikari, 2011). This stereotypical perception is shared by individuals in most societies and gives legitimacy and consensual nature to exclusion of women from leadership roles. Applying the above reasoning, in the context of the workplace and more pointedly in corporate boardroom, women are, therefore, more likely than men to hold positions at low levels in hierarchies of status and authority, and are less likely to be at the decision-making table (Eagly & Wood, 2012; Heilman, 2001), where agency is expected.

While there is some merit to these arguments, data also points toward the fact that the number of women attaining a university degree has gone up drastically, and so has the number of women joining the workforce. However, the corresponding figures for women in leadership positions in the corporate world remain stubbornly dismal. This disturbing absence of women from the boardrooms despite their proven academic abilities and high share in workforce sparks the discussion on gender quotas. One has to wonder whether it will take mandatory quotas for the rich men's club to finally share some power with their female counterparts. At the same time, corporate governance debates have shifted from "independence" to "gender diversity". The lack of evidence that conventional measures of board independence matter (Adams, Hermalin, & Weisbach, 2010) have led to arguments that independent boards will continue to be as ineffective as old composition if they are dominated by the "Old-Boys Club". Since women are not part of this club, the next step in corporate governance debates have been inclusion of women and making boards more gender diverse to let in new perspectives. Scholars have tried to establish if and how women directors are different from their male counterparts and if this difference affects organizational outcome (Anja Kirsch School of Economics and Business, Germany). Some scholars point out that appointing women directors tends to affect the nature of board processes and outcomes, and by extension, firm outcomes (Terjesen, Sealy, & Singh, 2009). However, the determinants and effects of board composition are intertwined (Adams et al., 2010), making it very difficult to convincingly link the characteristics of directors, including their gender, to firm outcomes (Johnson, Ellstrand, & Daily, 1996; Withers, Hillman, & Cannella, 2012).

This chapter studies three aspects of the gender quota debate. First of all, through literature review and available data, this chapter tries to establish whether organizations are really gendered and if there is a genuine bias working against women preventing them from entering corporate boardrooms, or if it is the sum total of socio-cultural obstacles and the pipeline problem. Secondly, we ask what the perceived and actual benefits of gender diversity in corporate boardrooms are and if those benefits are lucrative enough to push through the biases against women to give them a share in power. Thirdly, is gender quota necessary and if implemented, can it get the desired results, is a question we ask. In this part, we study the Norwegian social experiment of mandatory gender quota. While analyzing global data and literature, this chapter tries to put in place India's position in all three aspects.

The Gendered Business Model

It is universally acknowledged that capitalism thrives on profit motive. The sole purpose of a business organization engaged in any economic activity is to earn profit. The most prevalent business model currently in big business is of public limited companies which are run by a board of directors. Since the corporate board is the most important body in a company's functioning, it is natural to assume that decisions to appoint the board would be made keeping in mind the efficacy of the proposed board. This in turn entails that merit would be the deciding factor, which means that corporate boards' gender ratio should at the very least be reflective of its workforce composition, if not of gender equality. Let us have a look at global data for corporate leadership and workforce participation.

This data of the World Economic Forum report, 2016 reveals that the global average for females on corporate boards is 28%. However, this is a 2016 average which has outliers in the form of countries like Norway, which have already implemented mandatory gender quota as well as countries like France, Sweden, etc. that have adopted some form of quota guidelines in their company regulations. However, the picture varies country-wise. Women form less than 17% of the Fortune 500 board seats in the US, and one-tenth of those companies do not have any female Director on board. Similarly, in Australia women representation on board averages around 18.2%, in Canada 15.9%, and 21.6% in the UK. Asian countries paint yet more dismal pictures with China having only 8% female board representation, India 5% and Japan 2% in 2012 (Grant Thornton IBR, 2014). There does seem to be a pipeline problem as women in senior management roles average only 15% globally. That does bring out the point, Is the improved average of female representation on corporate boards a product of steps being taken by countries to improve gender diversity? Since women's representation in senior management falls dramatically to 15% from 24% in mid-level roles and 33% in junior roles. The problem is further accentuated by the fact that globally only 9% women lead these companies as CEOs. Thus, while board representation might have improved due to quota, letting women lead does not come naturally to the old boys' club. If we analyze the date at line and staff roles we find that women are under-represented in line roles in Mobility, Information and Communication Technology, Energy and Basic and Infrastructure, with line roles more likely to equip women with the skills and experience that would prepare them for senior positions. This may be one of the barriers to top level positions.

The same World Economic Forum Survey also studied the gender wage gap as well as barriers to women recruitment, and a look at the same will throw some light at the way the corporate world has created space for women.

Table 19.2 reveals that the gender wage gap is persistently higher across sectors barring the exception of Art, Design, Entertainment, Sports & Media, where the gap is comparatively lower. However, when it comes to difficulty in recruiting women (since across all industries, companies reported that they found women harder to recruit), it is directly proportional to the existing gender composition of the industry. However, it needs to be ascertained if these difficulties are solely due to socio-cultural barriers to female integration in the workforce or if there is a systematic bias that leads to perceived difficulty.

Unconscious bias among managers seems to be the overbearing barrier, which reinforces the idea that when it comes to integration of females into the workforce, biases work as barriers. Lack of female role models reported by 39% is a vicious circle that needs to be broken through external intervention.

One more important aspect to ascertaining the presence of bias against females is to crosscheck if the excuse of lack of talent pool has any credibility. Figures for female enrollment in tertiary education don't reflect so. As per a UNESCO 2013 study, the global ratio for enrollment of females to 100 males in tertiary education was 108 in 2012, an increase of 24% from 1980s. The same study showed that this ratio has increased in almost all countries of the world. In North America it was 140, in Latin America 127, in European Union 126, in Asia pacific 107. If we look at India particularly, it was 78; nowhere near the dismal representation women had on board in the same year. One can argue that it will take some time for the achievements in tertiary education to transform into a greater role for women in businesses. However, there is no issue in using the talent pool to get the work done as is evident from the current share of women in junior & staff roles at 33 and 36%, respectively (Table 19.1). It is the sharing of power that is the actual issue. The presence of gender wage gap (Table 19.2) as well as respondent's agreement to presence of bias (Fig. 19.1) just solidifies the proof toward existence of a problem. Hence, unless we are alright with the argument that women who clear graduate schools with flying colors suddenly lose their shine in the business world, there is no way we can justify the extreme gaps between women in the work force and women in management roles. Hence, we need to explore the possibility that there are considerations much different than merit and profitability that limit the access women have to management roles. There

Table 19.1 Percentage (%) of female workforce across industries

			Senior roles		*Mid-level roles*		*Junior roles*		*Line roles*		*Staff roles*	
Industry group	*CEOs*	*Board members*	*Current*	*2020*	*Current*	*2020*	*Current*	*2020*	*Current*	*2020*	*Current*	*2020*
Industries Overall	9%	28%	15%	25%	24%	33%	33%	36%	30%	34%	35%	39%
Basic & Infrastructure	2	35	9	17	13	21	22	29	14	23	20	27
Consumer	10	21	16	24	26	33	33	37	31	34	37	41
Financial Services & Investors	0	32	11	20	19	27	24	27	19	25	22	30
Healthcare	6	–	15	28	31	44	39	46	44	49	41	48
Information & Communication Technology	5	19	11	20	21	29	32	34	23	32	33	38
Media, Entertainment & Information	13	22	25	33	25	32	35	36	38	43	47	46
Mobility	9	17	13	21	21	30	28	33	25	31	34	36
Professional Services	9	23	22	34	33	40	39	43	44	44	44	46

Source Future of Jobs Survey, World Economic Forum, 2016

Table 19.2 Gender gap by job family

Job family	*Share of women (%)*	*Gender wage gap (%)*	*Relative ease of recruitment*	
			Current	*2020*
Architecture & Engineering	11	27	−1.18	−0.27
Art, Design, Entertainment, Sports & Media	48	12	−0.21	0.07
Business & Financial Operations	43	30	−0.42	−0.16
Computer & Mathematical	23	28	−0.91	−0.13
Construction & Extraction	10	48	−1.48	−0.64
Installation & Maintenance	8	24	−1.43	−0.20
Management	25	34	−0.84	−0.03
Manufacturing & Production	20	32	−0.99	−0.12
Office & Administrative	54	36	0.21	0.31
Sales & Related	41	35	−0.42	−0.03

Source Future of Jobs Survey, World Economic Forum
Note Relative ease of recruitment measured on a quantitative −2 ("much harder") to + 2 ("much easier") scale. Gender wage gap refers to the share of responses in the affirmative

appears to be an undeniable bias working against women and it may be for several socio-economic reasons but it doesn't relate to merit. Thus, the current business model shows signs of gender bias and fuels the discussion on the need for gender quota.

Does Gender Diversity at the Workplace Work?

It is an established fact that men dominate the boardrooms as discussed above through the available data. Finding the impact of gender diversity on firms working and performance is a difficult task when there is no diversity to begin with (Adams, 2016). It is also easy to dismiss the idea of benefits associated with gender diversity after a token comparative

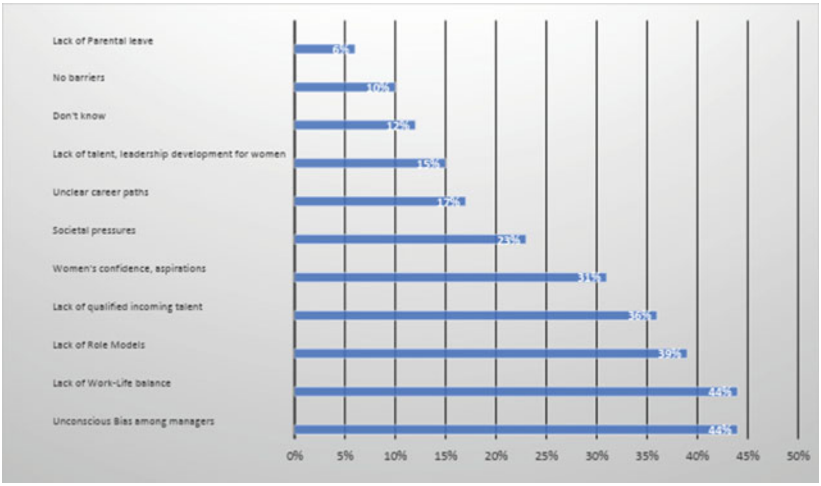

Fig. 19.1 Significance of barriers to gender parity across industry (Percentage) Share of respondents reporting barrier. (*Source* Future of Jobs Survey. World Economic Forum)

study ignoring the importance of achieving a critical mass for results to be visible. This is what has been happening to academic studies related to gender diversity. Evidence of benefits of gender diversity are murky at best. Some researchers also point out that the murky evidence may be a result of varying context and different board structures (Carter, D'Souza, Simkins, & Simpson, 2010). Other studies point to critical mass acts merely as token members on board and goes by the majority opinion instead of enforcing their viewpoint or taking any independent stand (Rose, 2007). Only after a critical mass of about 30% or more is achieved can positive effects be associated with gender diverse boards in comparison to an all-male board (Kanter, 1977; Joecks, Pull, & Vetter, 2013).

Literature review of available research does not point out conclusively in favor or against gender quota. While there are researches associating negative value with gender quota there are yet others that suggest that gender diversity leads to positive performance. Boards with more female directors have higher economic performance measured by stock price growth, return on equity and Tobin's Q (Mckinsey & Company, 2007).

Not only this, but a gender diverse board also leads to improvement in accounting quality. Firms with a greater number of females on board showed higher earning quality measured by return on asset & return on investment (Erhardt, Werbel, & Shrader, 2003). In short, improved gender diversity improves oversight function of the board (Srinidhi, Gul, & Tsui, 2011). Some research also points that the male executives make more takeover bids and issue more debt than female executives. A study based on S&P 1500 companies during 1997–2009 concludes that each female director is associated with 7.6% fewer bids and with each additional female director the board reduces the bid premium paid by 15.4% (Levi, Li, & Zhang, 2014). This reflects that the female directors help in creating shareholder's value by making thorough acquisition decisions.

Another way to gauge the impact of gender diversity on a firm's performance is to examine changes in performance on appointment of a new female director. Here also there is no conclusive evidence for a one-sided verdict. A study based on US fortune 500 data from 1990 to 2000 suggests that there is no significant abnormal return on announcement of addition of new female directors to board (Farrell & Hersch, 2005). On the other hand, another study shows that appointment of a new female director is associated with better operating performance compared to that of a new male director appointment (Dieleman, Qian, & Ibrahim, 2013). Another study based in Spain shows that stock markets react positively to the appointment of female directors on board (Campbell & Vera, 2010).

If economic performance alone cannot push through the ideas of gender diversity, there are social good objectives too that have been visited by academicians. With increased number of women on board corporate social behavior such as charitable giving, community involvement, and employee recognition improves (Broome & Krawiec, 2008). This heightened social responsibility can be attributed to men & women behaving as per roles associated with them through gender stereotypes. While women are considered more "communal", men are considered more "agentic" (Bakan, 1966). Globally, women are associated with traits like being caring, compassion, being interested in actualizing values in relationships of importance (Boulouta, 2012). That's why companies with gender diversity in their corporate boards are more likely to be listed on Ethisphere Magazine's "World's Most Ethical Companies" list (Bernardi, Bosco, & Columb, 2009).

Women are also better at following rules and regulations. Studies support that the presence of women on corporate boards reduces earnings management and improves overall accounting quality (Lara, Osma & Penalva, 2009). Moreover, women tend to be more financially risk-averse than men, which leads to lesser securities fraud on average with gender diverse boards (Cabo, Gimeno & Nieto, 2012). Therefore, the idea of increased participation of women has started gaining ground. A widely discussed panel at a World Economic Forum in Davos posed the question: "Would the world be in this financial mess if it had been Lehman Sisters?" (Bennhold, 2009). A large number of participants at Davos believed that the answer was "NO" as women were "more prudent" and less "ego driven" than men in financial management contexts (ibid.). Thus, while empirical research is inconclusive on its verdict about the effect of gender diversity on firm's performance, it shows that there are positive benefits of a gender diverse board when it comes to corporate governance. However, as is well known, business enterprises are guided solely by profit motive. Hence, in absence of concrete evidence of positive impact of gender diversity on firm's performance, it would be unwise to expect enterprises around the world to become more open and accommodating toward having women on their boards. However, policy makers around the world seem to be convinced that more gender diverse boards are more effective and there are not enough women on boards to bring this effectiveness (Adams, 2016). Hence, the discussion around gender quota, a regulatory inference to open the old boys' network to the women. While the world was discussing gender quota, its need and effectiveness, Norway took a giant leap in 2003 making provisions for gender equality in the boardroom and subsequently making them mandatory in 2008. Thus, the world is looking to Norway and it is not disappointing.

The Norwegian Experiment and the Verdict on Gender Quota in Business

In 2003, Norway introduced an amendment to its Public Limited Companies Act and became a pioneer in the field of economic emancipation of women. The amendment required Public Limited Companies to have at least 40% directors from both genders. Amidst resistance from shareholders, some European countries followed suit. However, most of the world gawked and waited for the verdict on Norwegian experiment before taking action. Norway, on the other hand, moved ahead and seeing slow pace of adoption through voluntary quotas made it mandatory in 2008. The target was to achieve 40% board membership for females by 2009 and non-complying firms could face severe penalties including liquidation. Not only this, the government further expanded the quota requirement to state-owned companies in 2004 and municipality-owned and cooperative companies in 2009. The amendment known as Gender Equality law has served its purpose of improving female representation on board in Norway from 6% in 2002 to 40.5% in 2014 (Grant Thornton IBR, 2014).

The Norwegian experiment did not go down well with the shareholders and the 2003 announcement- of 40% target of female representation on board when there were only 9% at the time of announcement—led to significant drop in stock price and a large decline in Tobin's Q in the next few years (Ahern & Dittmar, 2012). It also led to younger and less experienced boards, increasing leverage in acquisitions and decreasing operating performance (ibid.). After the Norwegian government announced the penalty of liquidation for non-compliance, half the firms excited to an organizational form not exposed to the law (Øyvind & Staubo, 2014). This response suggests that the cost of involuntary board restructuring is higher than abandoning exposed organizational form (ibid.).

On the positive side, despite fear from businesses about dearth of qualified women to fill the top position research shows that new reserved seats were filled by women who were observably more qualified to serve on board than women who were appointed before, reflecting that there was indeed a glass ceiling at work stopping qualified women from rising to the top positions (Bertrand, Black, Jensen & Lleras-Muney, 2015). Even the fear that quotas will lead to staffing of several boards with same female over achievers—known disparagingly as "golden skirts"—is unwarranted. In large listed companies, "golden trousers" are as common as "golden skirts", 15% of male directors sit on three or more boards compared to 19% of female directors (*The Economist*, 2018). Studying the effect of quota on corporate policy decisions, a research concluded that Norwegian firms undertook fewer workforce reductions compared to other Scandinavian unaffected firms (Matsa & Miller, 2013).

Norway's success in achieving 40% gender quota and its firms' success in finding qualified females to sit on boards makes a compelling case about the existence of glass ceilings and the need for external push to break it.

However, as the Economist points out in its article, only 7% of biggest Norwegian firms have female bosses. Therefore, quota is not the organic way to achieve gender equality in boardrooms and the economic power arena; however, it is one of the steps in a long arduous journey that needs to be taken. Several socio-economic notions need to be changed and supportive legislations need to be enacted to make gender equality in economic decision making a reality.

Gender Quota in Boardrooms: The Dominos Effect

The conspicuous absence of women from the top of the corporate ladder without any substantial reason brought to the forefront, the need for strict action to ensure diversity at the top. While chartering into controversial territory of gender quotas even women at times have hesitated to resort to tokenistic measures instead of getting individual talents recognized but attitudes have changed. As Christian Lagarde, Managing Director IMF who has admitted to resisting the idea of quotas all her professional career put it, "there was no way we were going to jump the right step" (Grant Thornton IBR, 2014). Different countries dealt with the issue of diversity differently. The most prominent tool has been one or another form of gender quota. Norway was the first country to implement a gender quota in 2003 in its pursuit of Gender Equality. Referred to as Gender Equality Law, it was voluntary, applied only to public limited companies and required them to achieve 40% female board membership by 2009 (Sweigart, 2012). In 2011, France, Italy, and Belgium implemented binding gender quotas. A 2011 French law requires a minimum 20% corporate board seats to be filled by female members by 2014 and 40% by 2017. Italy's law required at least 33% of each gender on the board by 2015, insisting on a target of 20% in the four transition years. In Belgium the law requires a minimum of 33% representation of each gender on the board of public and state-run companies by 2018. All these countries have sanctions and fines attached to non-compliance (Choobineh & Neeka, 2016).

Other countries like Spain, Iceland, the Netherlands, Germany, Malaysia, and India have implemented gender quotas without sanctions. In 2007, Spain passed a law that encouraged large publicly traded companies to reach a board ratio of 40% women by 2015. Iceland followed suit in 2010 by recommending that all publicly listed companies and companies with more than 50 employees have at least 40% of each gender on board by 2013. In 2011, the Netherlands implemented a comply or explain mechanism for public and private firms with more than 250 employees, requiring them to have at least 30% of each gender on their supervisory and executive board. In 2015, Germany passed a law requiring large publicly traded companies to reserve 30% of new board seats for women in 2016, pushing the ratio to 50% by 2018.

However, countries elsewhere are also in pursuit of gender equality in economic leadership. In 2011, Malaysia instituted a quota targeting 30% women on corporate boards in the next five years. In 2013, India mandated all public limited companies to have at least one female director on board. The Austrian government in 2012 called for ASX 200 companies to voluntarily reach a target of 30% female board membership by 2018. Israel, Kenya, Brazil have issued directives for gender equality in economic leadership.

Boardrooms in India

Traditionally Indian boardrooms have been a lonely place for females and it has not changed yet. Female representation on board of NIFTY 500 companies was 5% in 2012 and increased to mere 13% in 2017. This is when the new Companies Act 2013, made it mandatory to have at least one independent woman director on boards of the companies listed on the National Stock Exchange (NSE). However, experts say the spirit of the reform is yet to see the light of day. At 13% women are still under-represented on Indian boards when compared to other large economies. India is the seventh largest economy in terms of GDP (nominal). The corresponding figures for other six large economies are US 22%, China 38%, Japan nine%, Germany 14%, UK 20% (IBR, 2014), and France 34% (Institutional Investor Advisory Services India Limited, 2017). The small progress that India has achieved can be mostly attributed to the newly introduced companies act as most companies tend to be filling only the mandatory "one woman" quota. Only 26 on NIFTY 500 boards had three or more female directors as on 31 March, 2017. 15 companies were still non-compliant with no females on board, the corresponding figure is only 6 for S&P 500 companies in the US. Thus, Indian boards not only need to travel a long way to be competitive in the global race for gender diversity, but it appears a lot needs to be changed in terms of socio-economic conditions for ensuring economic emancipation of women.

The Need and Push Toward Gender Quota in India

> Girls Education is the single most powerful investment towards development. When you educate a girl, you educate a nation.—UNICEF

India inherited a very poor literacy rate from its colonial masters and hence education as a whole was a mammoth task for the nation builders. However, being the archetype patriarchal society, special efforts were needed to educate women in India. The efforts of the past have started paying off and female tertiary education participation that revolved somewhere around 40% in the 1980s has climbed to 78% in 2011. More and more women are acquiring higher education and joining the workforce. In 2017, female workforce participation was 27% in India. However, as is the trend globally, improved workforce participation does not transform into improved participation in senior management. In March 2012, female representation on boards in NIFTY 500 companies, a benchmark for gauzing female participation in senior management, was only 5%. In the next two years it remained static at 6%. Only after the new Companies Act came in force in 2014 did it give fillip to female participation in boards and the figures jumped to 11% in March 2015. In the next two years, it again grew by only 1% per year to reach 13% in March, 2017. The sad part is that even after the new Act and SEBI listing rules, there are companies that choose to ignore the mandatory requirements. In 2015, SEBI fined 530 companies for missing multiple deadlines to meet the quota (Bhalla, 2015). This suggests that the fine for listed companies of $2240 plus $78 per day may not be enough to persuade companies to abide by the mandatory requirement of having at least one female on board (ibid.). Looking at the talent pool available in the country, the dearth of eligible female candidates does not seem to be the issue. Something more than a mere issue of merit seems to be blocking the adoption of the idea of gender diversity and the need of the hour seems to push the agenda strictly.

Toward Gender Diversity on Indian Boards: The First Few Steps

In the year 2013, India enacted the New Companies Act, which came into force from 1 April 2014. Section 149(1) of the act provides that "such class or classes of companies as may be prescribed, shall have at least one female director." Accordingly, Companies (Appointment and qualification of directors) rules 2014 provide that "Every listed company and every other public company having paid-up share capital of at least Rs.100 crore or turnover of at least Rs.300 crore shall appoint at least one, woman director." Subsequently the Securities and Exchange Board of India amended its listing regulations to introduce a quota for female directors. Regulation 17 (1)(a) of SEBI (LODR) Regulations, 2015 mandates that "board of directors shall have an optimum combination of executive and nonexecutive directors with at least one-woman director and not less than fifty percent of the board of directors shall comprise of non-executive directors."

The recent legislative and regulatory push has given impetus to otherwise stagnant strides of females upward the corporate ladder. Females comprised 13% of NIFTY 500 board of directors, up from a meagre 5% in 2013. In absolute numbers, 622 female directors are there on the board of NIFTY 500 companies. If we account for multiple directorships, the number turns out to be 477 unique women directors on board of top Indian companies—that is, 477 women with the ability to influence and inspire change and motivate a whole generation of new female employees. Almost all sectors, with an exception of the energy sector that has an average of 8%, have no large variance in proportion of female directors, indicating that there is no sector-specific limitation in appointment of female directors on board. With the new regulations in place 485 of NIFTY 500 companies are compliant with the mandatory requirement of one female member on board. 107 of these companies exceeded the mandatory quota requirement. Only 15 companies had no female director on board as of March 2017 and bulk of these i.e., 11 were Public Sector Undertakings. Delays in appointments were due to pending approval from the ministry.

Female Directors on Indian Boards

As per the IIAS Research 2017, female directors on boards of NIFTY 500 companies had an average tenure of 4.6 years compared to the 9.0 years of their male counterparts. They had an average age of 56.6 years compared to 62.5 for males; average number of directorships held was 5.3 against 5.9 held by men and average attendance was 78% against 81% for men. The only place where the female directors seem to be lagging behind their male counterparts is experience. They have a smaller average tenure of 4.6 years but that can be attributed to the fact that most of them got entry into boardrooms only after the Companies Act mandated it in 2013.

On the introduction of the mandatory quota, there were concerns that not enough competent women would be available to fill the vacant seats or the new women directors would belong to the promoter family and work in non-executive capacity. Over the years those concerns have been found to be unwarranted. As of March 2017, only 16% of the female directors were Promoter Directors and 50% of these were driving the company in leadership capacity as Executive Directors. 60% of the female Directors were Independent Directors. Thus, instead of providing mere lip service to the new regulations, the companies are actually putting effort complying and bringing forward eligible female talent.

However, there are certain issues that come with quotas. Ensuring a seat at the table does not necessarily mean that the women are getting a share in power. Only 3% boards among the NIFTY 500 companies are headed by women. Although it is comparable to the European average of 4% chairmanship, it underlines a larger issue. Quotas can take women only so far. Similarly, only 7% of the executive directors are female. So, even a quota is not able to confirm promotions and larger responsibility for female executives. As far as Independent Directors are concerned, only 16% of Independent Directors in India are female. This is much lower than European average of 34%. However, this may be because the proportion of female directors on board is also low in India compared to Europe. Majority of women inducted on the board after quota have been Independent Directors in India as well as globally. In India, 60% of female directors are Independent Directors.

Women on Board: Has India Done Enough?

As this chapter points out in the beginning, the effects of gender diversity on economic performance are murky at best, and this may be due to lack of enough gender diverse boards to prove a point. It is also true that without profits to back it up, the argument for gender diversity will not hold up and companies will not pick it up on their own. The only other way is to resort to quota, which most of the countries have been doing. But, quota is just a quick fix to a structural problem. As we saw in Table 19.1, while the gender quota on corporate boards has taken the ratio of women to 28%, only 9% of the companies internationally are being headed by women CEOs and the ratio of women in senior management roles globally is a dismal 15%. Thus, the issues and biases that were holding women back from decision-making roles are still in place and gender quota for corporate boards has just given it a nudge in the right direction.

If we look at India, the affirmative action of one woman on corporate board as a requirement under companies' act has brought significant change in board compositions but it can't impact the decision making much. One woman on board is not enough critical mass to show the benefits of diversity. It is not even enough representation to bring about women centric policies in the corporate environment. The absence of women as CEO and in senior management positions is much more conspicuous in India. Women in the country face several barriers that need to be broken before we leave meritocracy to take its course for fair representation. In the next section, the chapter examines the steps that need to be taken to positively impact workplace inclusion of women. Gender quota is just the beginning; the end is to reap the benefits of inclusion of the remaining 50% population in economic activities.

What More Needs to Be Done

India has traditionally been a patriarchal society with women's working to earn becoming acceptable only in the recent past. It was an achievement when India adopted universal adult franchise. Thus, granting women the right to vote much before many of the first world nations. However, that didn't usher in an era of women empowerment and our socio-political dynamics still promotes exclusion of women from the public sphere. Thus, while policies for economic inclusion are good, they can't work in silo. Following are few actions that need to be looked at if India wants to have full contribution of its female population in the GDP.

1. Investment in Female Education:

India still has a very poor female literacy rate. This just reflects the attitude of society toward educating its female members. We need policies that will promote female literacy and it will be more effective if continuing education becomes easier for women. Male is to female enrollment ratio in tertiary education in India was 78% which is much below the global average. Higher education for girl children is still a secondary priority in most families in India. Hence, India needs better public schools and cheaper higher education for girls.

2. Safety in Public Places:

Being a patriarchal society, allowing women to work is a very momentous decision in a lot of families and a lot depends on their perception of security in the work environment. A lot of women leave jobs because their jobs require night shifts or staying late. While the presence of a lesser number of women in the public sphere is probably one of the reasons this lack of safety ensues from, it is a vicious circle that needs to be broken. Safety in public places will go a long way in bringing more women into workplaces.

3. Gender Inclusive Policies:

As it is said, "Equality doesn't mean equal treatment to all it means equal treatment to people with similar circumstances." This is true for women at work places. While working late nights and night shifts has become the norm in the corporate sector, policies should be made so that women are not left out of working at these places. Requirements like pick up and drop facilities for women working late, proper security at workplace, lesser or no night shifts for women considering their convenience will help women whose families frown letting them work late or women who have small kids and are primary caretaker of the family.

Another issue that takes away precious years of women's careers and is often blamed for the lesser number of women progressing to senior management is motherhood. "Motherhood" is a happy experience and the reason for society's continuation. It should not be turned into a career killer for women. There should be policies in place that would provide women ample maternity leave without harming their career progression. In fact, establishing parity between maternity and paternity leave will ensure that men also involve themselves in parental duties and are provided breaks from work in lieu of parenthood. It will remove the stigma from maternity leave if it is parenting leave.

4. Promoting Female Entrepreneurs:

It is often seen that the families are not supportive of those women who would like to start their own business venture and even society is not very welcoming and friendly in India, to women-led businesses. However, more women entrepreneurs will mean more role models and mentors for young women. Also, women will not be asking a seat at board but rather providing one. It can be achieved if lending as well as startup policies give special impetus to female-led businesses. Business incubation labs in the country can be encouraged to take up women-led projects.

Conclusion

This chapter started on a quest to determine whether gender-based exclusion is a reality in the corporate sector and if so, whether gender quota can help in achieving gender diversity in corporate boardrooms. On examining available data and literature review, it was concluded that the data indeed points to gender-based exclusion from corporate boards. Review of literature on benefits of gender diverse boards suggested that there was not enough evidence to substantially establish that gender diversity positively impacts firm's performance. In absence of substantial evidence to relate gender diversity and economic performance, gender quota remains the undisputed method to achieve the target of gender diversity on corporate boards. However, the chapter also examined whether gender quota was enough to ensure diversity and found out that while a mandatory quota would ensure enough women get representation on board, it cannot ensure that those voices would ever get heard. It also cannot ensure a trickledown effect. Hence, the chapter concludes that a lot more needs to be done than just gender quota to ensure workplace inclusion of women in an organic manner. Some of the suggestions mentioned in the last section of this chapter can be effective in achieving the same. Thus, to achieve the overall goal of gender diversity at the workplace and to ensure that a large section of the population is not unutilized or underutilized in GDP creation, we need to go a step beyond gender quota and ensure socio-economic transformation.

Chapter Takeaways

- When we talk about the inclusivity of women at the workplace, we are nowhere compared to the quantum leaps and progress that we have made in technology in the same timeframe.
- Data of the World Economic Forum report, 2016 reveals that the global average for females on corporate boards is 28%. However, this average has outliers in the form of countries like Norway, which have already implemented mandatory gender quota as well as countries like France, Sweden, etc. that have adopted some form of quota guidelines in their company regulations.

- The gender wage gap gets persistently higher across sectors barring the exception of Art, Design, Entertainment, Sports & Media, where the gap is comparatively lower.
- Unconscious bias among managers seems to be the overbearing barrier, which reinforces the idea that when it comes to integration of females into the workforce, biases work as barriers. Lack of female role models reported by 39% is a vicious circle that needs to be broken through external intervention.
- As a forerunner, Norway achieved success in achieving 40% gender quota on boards. Still, only 7% of biggest Norwegian firms have female bosses.
- Different countries dealt with the issue of diversity on corporate boards differently. The most prominent tool has been one or another form of gender quota.
- Traditionally Indian boardrooms have been a lonely place for females and it has not changed yet.
- On the introduction of the mandatory quota, there were concerns that not enough competent Indian women would be available to fill the vacant seats or the new women directors would belong to the promoter family and work in non-executive capacity. Over the years those concerns have been found to be unwarranted.

References

Adams, R. B. (2016). Women on boards: The superheroes of tomorrow? *The Leadership Quarterly, 27*(3), 371–386. https://doi.org/10.1016/j.leaqua.2015.11.001.

Adams, R. B., Hermalin, B., & Weisbach, M. (2010). The role of boards of directors in corporate governance: A conceptual framework and survey. *Journal of Economic Literature, 48*(1), 58–107. https://doi.org/10.1257/jel.48.1.58.

Ahern, K. R., & Dittmar, A. K. (2012). The changing of the boards: The impact on firm valuation of mandated female board representation. *The Quarterly Journal of Economics, 127*(1), 137–197. https://doi.org/10.1093/qje/qjr049.

Bakan, D. (1966). *The duality of human existence: Isolation and communion in western man*. Boston, MA: Beacon Press.

Bennhold, K. (2009, February 1). Where would we be if women ran Wall Street? *The New York Times*. Retrieved from https://www.nytimes.com/.

Bernardi, R. A., Bosco, S. M., & Columb, V. L. (2009). Does female representation on boards of directors associate with the 'most ethical companies' list? *Corporate Reputation Review, 25*(3), 270–280. https://doi.org/10.1057/crr.2009.15.

Beroutsos, A., Andrew, F., & Kehoe, C. F. (2007, January). *What public companies can learn from private equity*. USA: Mckinsey & Company. Retrieved from https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/what-public-companies-can-learn-from-private-equity.

Bertrand, M., Black, S. E. and Jensen, S. & Lleras-Muney, A. (2015, March). Breaking the Glass Ceiling. *SSRN Electronic Journal*. CEPR Discussion Paper No. DP10467, https://doi.org/10.2139/ssrn.2488955.

Bhalla, N. (2015, July 14). Indian regulator fines 530 companies for delay in appointing women directors. Thomson Reuters Foundation News. Retrieved from https://news.trust.org/item/20150714165315-d1eda/https://news.trust.org/item/20150714165315-d1eda/.

Boulouta, I. (2012). Hidden connections: The link between board gender diversity and corporate social performance. *Journal of Business Ethics, 113*(2), 185–197. https://doi.org/10.1007/s10551-012-1293-7.

Broome, L. L., & Krawiec, K. D. (2008). Signaling through board diversity: Is anyone listening? *University of Cincinnati Law Review, 77,* 431–464. UNC Legal Studies Research Paper No. 1132884, Forthcoming. Available at SSRN: https://ssrn.com/abstract=1132884.

Browne, A. (1993). Violence against women by male partners: Prevalence, outcomes, and policy implications. *American Psychologist, 48*(10), 1077–1087. https://doi.org/10.1037/0003-066X.48.10.1077.

Browne, K. (1999). *Divided labors: An evolutionary view of women at work*. New Haven, CT: Yale University Press.

Cabo, R. M., Gimeno, R., & Nieto, M. J. (2012). Gender diversity on European banks' boards of directors. *Journal of Business Ethics, 109*(2), 145–162. https://doi.org/10.1007/s10551-011-1112-6.

Campbell, K., & Vera, A. M. (2010). Female board appointments and firm valuation: Short and long-term effects. *Journal of Management and Governance, 14*(1), 37–59. https://doi.org/10.1007/s10997-009-9092-y.

Carter, D. A., D'Souza, F., Simkins, B. J., & Simpson, W. G. (2010). The gender and ethnic diversity of US boards and board committees and firm financial performance. *Corporate Governance: An International Review, 18*(5), 396–414. https://doi.org/10.1111/j.1467-8683.2010.00809.x.

Dieleman, M., Qian M., & Ibrahim, M. (2013). Singapore Board Diversity Report 2013—Time for women to rise. Centre for Governance, Institutions and Organisations.

Eagly, A. H., & Johannesen-Schmidt, M. C. (2001). The leadership styles of women and men. *Journal of Social Issues, 57*(4), 781–797. https://doi.org/10.1111/0022-4537.00241.

Eagly, A. H., & Wood, W. (2012). Social role theory. In P. van Lange, A. Kruglanski, & E. T. Higgins (Eds.), *Handbook of theories in social psychology* (pp. 458–476). Thousand Oaks, CA: Sage.

Erhardt, N. L., Werbel, J. D., & Shrader, C. B. (2003). Board of director diversity and firm financial performance. *Corporate Governance: An International Review, 11*(2), 102–111. https://doi.org/10.1111/1467-8683.00011.

Farrell, K. A., & Hersch, P. L. (2005). Additions to corporate boards: The effect of gender. *Finance Department Faculty Publications, 18*, 85–106. https://digitalcommons.unl.edu/financefacpub/18.

Grant Thornton International Business Report. (2014). *Women in business: From classroom to boardroom*. Grant Thornton International Business Report 2014, United Kingdom. Retrieved from https://www.grantthornton.global/globalassets/1.-member-firms/global/insights/article-pdfs/2014/ibr2014_wib_report_final.pdf.

Greenhaus, J. H., & Parasuraman, S. (1999). Research on work, family, and gender: Current status and future directions. In G. N. Powell (Ed.), *Handbook of gender and work* (pp. 391–412). Thousand Oaks, CA: Sage.

Heilman, M. E. (2001). Description and prescription: How gender stereotypes prevent women's ascent up the organizational ladder. *Journal of Social Issues, 57*(4), 657–674. https://doi.org/10.1111/0022-4537.00234.

Hillman, A. J., Shropshire, C., & Cannella, A. A. (2007). Organizational predictors of women on corporate boards. *Academy of Management Journal, 50*(4), 941–952. https://doi.org/10.5465/amj.2007.26279222.

Institutional Investor Advisory Services India Limited. (2017). *Corporate India: Women on boards*. Retrieved from https://docs.wixstatic.com/ugd/09d5d3_bff9bfcbf6604b948bd8464a0a84d8e6.pdf.

Joecks, J., Pull, K. & Vetter, K. (2013). Gender diversity in the boardroom and firm performance: What exactly constitutes a "Critical mass?" *Journal Bus Ethics, 118*, 61–72. https://doi.org/10.1007/s10551-012-1553-6.

Johnson, J. L., Ellstrand, A. E., & Daily, C. M. (1996). Boards of directors: A review and research agenda. *Journal of Management, 22*(3), 409–438. https://doi.org/10.1016/S0149-2063(96)90031-8.

Kanter, R. M. (1977). Some effects of proportions on group life. In Rieker P. P. & Carmen E. (Eds.), *The gender gap in psychotherapy*. Boston, MA: Springer. https://doi.org/10.1007/978-1-4684-4754-5_5.

Koenig, A. M., Eagly, A. H., Mitchell, A. A., & Ristikari, T. (2011). Are leader stereotypes masculine? A meta-analysis of three research paradigms. *Psychological Bulletin, 137*(4), 616–642. https://doi.org/10.1037/a0023557.

Lara, J. M. G., Osma, B. G., & Penalva, F. (2009). Accounting conservatism and corporate governance. *Review of Accounting Studies, 14*(1), 161–220. https://doi.org/10.1007/s11142-007-9060-1.

Levi, M., Li, K., & Zhang, F. (2014). Director gender and mergers and acquisitions. *Journal of Corporate Finance, 28*, 185–200. https://doi.org/10.1016/j.jcorpfin.2013.11.005.

Matsa, D. A., & Miller, A. R. (2013). A female style in corporate leadership? Evidence from Quotas. *American Economic Journal: Applied Economics, 5*(3), 136–169. https://doi.org/10.1257/app.5.3.136.

OECD. (2009). *Gender and sustainable development: Maximizing the economic, social, and environmental role of women*. Paris: OECD. Retrieved from https://www.oecd.org/social/40881538.pdf.

Øyvind, B., & Staubo, S. (2014). Does mandatory gender balance work? Changing organizational form to avoid board upheaval. *Journal of Corporate Finance, 28*(C), 152–168. https://doi.org/10.1016/j.jcorpfin.2013.12.005.

Parker, C. (2016). Women and work. The system is broken, so how can we fix it? *World Economic Forum*. Retrieved from https://www.weforum.org/agenda/2016/03/women-and-work-the-system-is-broken-so-how-can-we-fix-it/.

Rose, C. (2007). Does female board representation influence firm performance? The Danish evidence. *Corporate Governance: An International Review Wiley Blackwell, 15*(2), 404–413. https://doi.org/10.1111/j.1467-8683.2007.00570.x.

S. C. (2018, September 3). Are gender quotas good for business? *The Economist*. Retrieved from https://www.economist.com/the-economist-explains/2018/09/03/are-gender-quotas-good-for-business.

Srinidhi, B., Gul, F., & Tsui, J. (2011). Female directors and earnings quality. *Contemporary Accounting Research, 28*(5), 1610–1644. https://doi.org/10.1111/j.1911-3846.2011.01071.x.

Sweigart, A. (2012). Women on board for change: The Norway model of boardroom quotas as a tool for progress in the United States and Canada. *Northwestern Journal of International Law and Business, 32*(4), 81–105. Retrieved from https://scholarlycommons.law.northwestern.edu/njilb/vol32/iss4/6/.

Terjesen, S., Sealy, R., & Singh, V. (2009). Women directors on corporate boards: A review and research agenda. *Corporate Governance: An International Review, 17*(3), 320–337. https://doi.org/10.1111/j.1467-8683.2009.00742.x.

Withers, M. C., Hillman, A. J., & Cannella, A. A. (2012). A multidisciplinary review of the director selection literature. *Journal of Management, 38*, 243–277. https://doi.org/10.1177/0149206311428671.