Women on boards and women in management
-A comparative overview of regulation in Iceland and Denmark

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Equal representation of men and women in management and on boards in private and public companies, has in the past years been high on the political agenda in the Nordic Countries and in the EU (Nielsen & Huse, 2012). Some Nordic countries have been adopting legislation regulating this topic - including quotas - while others have chosen a softer regulatory approach. Iceland has chosen the legislative path and included quotas on boards. In Denmark the government policy was until recently not to legislate on this matter. Instead of legislation the government preferred softer measures such as agreements with private companies and voluntary company policies. With the change of government in autumn 2011 this policy changed, and the new Social Democratic led government introduced legislation to get more equal representation of men and women on boards and in management in the 1100 biggest companies. However without proposing quotas on boards as in Iceland. The aim of this article is to give a comparative analysis of the legislation as adopted in Iceland and the recent proposal for legislation in Denmark. Further we will give a comparative overview of the soft measures that has been used in the two countries such as agreements and company policies. On this background we will try to identify some similarities and differences in the regulation of the two countries and finally try to identify some areas for common inspiration and learning between the two countries.

The situation concerning equal representation of men and woman in management positions in Iceland and Denmark has many similarities. The labour market has a very high participation of well educated women working full time. Moreover the issue of gender equality in the labour market is considered very important in both countries. A particular problem that is presently being addressed politically concerns the problem of unequal board and management representation of men and women in public and private companies. To improve the situation the two countries now have chosen the same tool – legislation. But where Iceland since 2010 includes quotas Denmark proposes the so called Danish model without quotas.

Iceland

Development

After the turn of the new century, the Icelandic government was under an increased pressure to make effort to push businesses to increase representation of women in management and on company’s boards. The then government, led by the Independence Party, however, followed the policy that businesses should enjoy as much freedom as possible and endorsed not quotas or similar functions to the proper role of women. This was in line with the position of the main associations of private
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businesses in Iceland which claimed that government intervention would deprive employer’s managerial prerogatives.

A milestone in the debate can be found in the Parliamentary Resolution on measures regarding gender equality in the years 2004-2008. There, the Minister of Industry and Business was charged to promote dialogue on these issues, e.g. by appointing a committee, which task was to formulate recommendations on how the participation of women could be increased in the leadership of Icelandic companies and whether there would be grounds to apply for regulatory purpose. The purpose was to encourage changes with “positive and constructive manner” (þingskjal 1870, 2003-2004). The Committee’s conclusions, published in its report in late 2005 were in line with this soft approach. Among its main recommendations were to secure channel for discussion and learning, to expand the horizons and search for appointment to company’s boards, to encourage companies to put women on the agenda and to publish regularly a list of the number and percentage of women on boards (Þonaðar- og viðskiptaráðuneytið, 2005).

The report gained some attention, but systematic follow up was lacking. In the following years the number of women on boards and in senior positions within private companies seemed to have more and less stagnated, somewhere around 8-14% for women on boards of the largest companies, sometimes higher percent, even lower, depending on the size of the companies selected and research method used. Public registration of the proportion of women on boards and in senior positions of companies was either inaccurate or lacking and more accurate information needed: if the problem was not clear, it seemed difficult to solve it.

**Soft measures**

In the years 2005 to 2009 the main focuses of effort was on gathering and publication of information on the proportion of men and women on corporate boards and in management, and thereby push companies to voluntarily improve their performance. The primary project for this purpose was the Corporate Gender Equality Index (Jafnréttiskennitalan) conducted in 2006-2008 by the Research Centre for Labour Law and Equal Rights at Bifröst University. According to the final report, published in 2008, women were 13% of board members in the 120 largest companies in Iceland, and 19% of senior officers (Rannsóknasetur vinnuréttar, 2008).

The Gender Equality Index project in no doubt contributed to increased awareness of the matter in companies and other levels of the society. So did the statistics compiled and published from 2006 by the Free Trade Magazine (Frjáls verslan) on the status of women on the boards and in senior positions of the 150 largest companies in Iceland. In January 2008 Women’s Entrepreneurs associations (FKA and Leiðtoga-Aubah) compiled a list of 100 women, willing to become members of the boards of the largest companies in Iceland. The list was presented in newspapers and in a letter to the management of the 150 largest enterprises (Margrét Kristmannsdóttir, 2008). The debate turned increasingly on effective measures to increase the representation of women and whether implementation of quotas, as in Norway 2006, would be unavoidable to change the situation.

In May 2009 the Confederation of Icelandic Employers (SA), together with FKA and Iceland Chamber of Commerce (Viðskiptaráð) made an agreement where they declared their will to increase the proportion of women in boards and management, so it would not be less than 40% at the end of 2013 (Samtök atvinnulísins, 2009). This

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1 The Gender Equality Index project was carried out in collaboration with the Ministry of Industry and Business, the Confederation of Icelandic Employers (SA), the Icelandic Association of women Entrepreneurs (FKA) and the administration of Gender Equality (Jafnréttisstofa and Jafnréttisráð).
kind of development had seemed unthinkable few years before, as the business sector had rejected any type of gender quotas. However, at this time it seemed likely that the new Government of the Social Democratic Alliance and the Left Green Movement would intervene by legislation. Clearly, employers now wanted to take leadership and responsibility for the matter rather than being subject to legal rules and enforcement.

**Legislation on gender quotas**

The 2000 law on gender equality (96/2000) contained only provisions of general wording concerning the obligations of employers to work for gender equality within their organizations. Much more concrete step was made in 2008 with the new Gender Equality Act (10/2008), when gender quota was incorporated in the public sector. According to new provisions, when appointments are made to national and local government committees, councils and boards, care shall be taken to ensure as equal representation of men and women as possible and not lower than 40% when there are more than three representatives in a body. This also applies to the boards of publicly-owned limited companies and enterprises in which the state or a municipality is the majority owner (Article 15).

In October 2009 the Government presented a bill where it proposed amendments to the legislation on companies. The bill stated that care should be taken of gender balance at the boards of all companies, but included no direct obligations for them to promote women (Bingskjål 71, 2009-2010). The bill was amended by the Parliament during its process, and a new legislation approved in March 2010, legalizing gender quotas on boards of private companies in Iceland for the first time. The new Act (13/2010) amended the 1995 Limited Companies Act (2/1995) and the 1994 Private Limited Companies Act (138/1994), implementing gender quotas on company boards, to take effect on 1 September 2013. The law entails that in companies with more than 50 employees, both genders shall be represented on their board. When the board is composed of more than three members, the proportion of each gender shall not be lower than 40%. The same applies to the gender ratio among alternates. When reporting on the assembly of board of directors to the Register of Limited Companies (Hlutafélagaskrá), there shall be an analysis of gender ratios. Furthermore, companies with more than 25 employees on average shall also turn in analysis of gender ratio statistics relating to both employees and management. Additionally, all companies who fall under the scope of the Act shall take gender ratio perspectives in to consideration in the recruitment of CEO’s and report statistics thereof to the Register of Limited Companies. As mentioned before, similar quota rules also applied since 2008 to public limited companies and enterprises in which the state or a municipality is the majority owner, under the Gender Equality Act. In 2011 the boards of pension funds were also subject to gender quotas by amendments to the 1997 pension fund’s legislation (129/1997), to take effect 1 September 2013.

The aim of the legislation is to ensure equal gender ratio on the boards of the largest private companies in Iceland, in addition to the boards of all public companies and pension funds. The motivation and reasoning for legislating gender quotas, is described in the legislative documents of the 2010 Act. First, the low number of women in boards of Icelandic companies, compared to the other Nordic countries, and that almost no changes had occurred in the years 1999-2007. Second, the gender quota in Norway, leading Norway to be in the forefront for gender equality on the boards of companies. Third, research has indicated that companies that have both men and women as board members or female CEOs are more profitable than those companies that have not (Bingskjål 426, 2009-2010). The Ministry of Economic Affairs is responsible for follow up with the 2010 gender quota legislation. Education shall be held for managers and boards of companies to inform about their responsibilities and duties. A database of information
is to be established on those who have received such training to enable managers and directors to form a relationship and help companies find qualified managers and board members (Þingskjal 1480, 2010-2011).

Denmark

Development

Many different policies have in the past years been adopted in Denmark concerning equality of men and women in the labour market – including women in management and boards. Legislation has only been used concerning the public sector. Certain sections in the Danish Equal Opportunity Act, section 11, 12 and 13 apply to state government authorities, e.g. boards, representatives or similar (Tvarno, 2012) but in general the recruiting of employees is considered as part of the prerogative for the management and not a matter for legislative interference. Also the labour market in general is more regulated by collective agreements (Due, Madsen, & Jensen, 1993). So the private sector and employers’ organisations have been very much opposed to binding legislation, and have preferred to develop their own company policies or agreements with the government on this subject (Kongensgaard, 2012). Also the minister of equal rights of men and women, from the former central/right wing government, considered the question of equal representation of men and women on boards and in management to be decided exclusively by the management (Friis, 2011).

Soft measures

In March 2008 the former Danish minister of gender equality introduced a so-called “Charter for more Women in Management” developed together with the minister of employment and 10 of the biggest private and public companies in Denmark. The goal was to get public and private companies to work more focused to increase the share of female managers. In the charter it is stated that there is a need for more women in public and private sector management - only participation of 6,52 percent in private companies and 25 percent in public companies - because diversity generates returns for enterprises and also because it makes sense for society to utilize all its resources. The aim of The Charter was to ensure that women and men have equal opportunities to pursue management careers, to launch specific, measurable initiatives in companies and organisations, to increase the proportion of women at all levels of management and to make sure that public and private sector enterprises deploy all talents.

The participating partners stated that they would undertake to make concrete efforts to bring more women into management positions and adapt these to the particular company’s circumstances and sector conditions, and current percentage of women managers.

They would undertake the following:

Prepare a plan or strategy to attract more women into management positions or maintain an equal balance and launch initiatives to this end.

Develop and set goals/and or target figures for the number of women in management, for the proportion of women in selected executive levels to be achieved within a fixed time period or for the proportion of women in talent pools or in the management pipeline.

Support human resources policy that promotes equal career opportunities for women and men.

Ensure that appointment and recruitment procedures help identify women with leadership potential and thus attract both women and men candidates for internal and external recruitment drives.
Set a minimum number of women candidates if the company uses head-hunters for management recruitment.

Create conditions for women to develop their career through networks, mentoring programmes and other targeted initiatives.

Share experience and results of initiatives launched on the basis of the Charter, for example by submitting contributions to the Minister for Gender Equality’s theme page on women and management on the Internet.

In spring 2011 the Charter was evaluated on the initiative of the former minister for equality on the basis of results from the participation partners from public and private companies. The evaluation report concluded that too many of the companies lack concrete plans of how to measure their results. Further no concrete numbers concerning gender balance on boards and in the management of the companies were published, and the minister was criticized for this (Friis, 2011).

As a recent example of a voluntary policy concerning quotas of women on boards, the Danish brewery company Carlsberg announced in February 2012, that they from 2015 want at least 40% of the elected board members to be women and announced that board members first of all should be elected on the background of their competences. The chairman of the board of Carlsberg also underlined the advantages of having a board consisting of a broad variety of experience, style, culture, international experience – and gender.

The law proposal

So why has the Danish government finally chosen to propose legislation to improve the situation concerning the gender balance in management and boards? First of all Denmark had a change of government in 2011, and the new female prime minister and her party The Social Democrats announced before the elections that they were in favour of legislation of gender balance in management and on boards – including quotas. However early in 2012, shortly before the law proposal, they announced, that they were no longer in favour of quotas (Lund & Klarskov, 2012). Also Socialistisk Folkeparti, SF – a left /green party participating in the government coalition, is in favour of legislation and quotas in management boards, whereas the third government party, De Radikale, that has the post for minister of gender equality, was not clear in their opinion on legislation and quotas. However the new minister said early in 2012 that he was not satisfied with the results of the Charter and agreements with companies on this issue, and that legislation might be necessary – with or without quotas. He also stated that he was very actively consulting all stakeholders and collecting experiences from different EU countries and Norway. („Minister overvejer“, 2012).

Moreover the EU has increased pressure on the member states to be active. The commissioner responsible for equal rights, Viviane Reding, has recently stated that she will propose EU regulation – including women quotas - as the results in the member states has not improved („EU truer“, 2012).

The goals of the law in the proposed Danish Model are the following: The aim is to strengthen the competitiveness of Denmark. Therefore the government is underlining that the resources of women must be used more actively in the management of companies. With the proposed so-called Danish Model the aim is to create a fair balance between the need for real progress in the development of the share of women in the management of companies and at the same time flexibility for companies (Erhvervs- og Vækstministeriet, 2012).

The proposal should also be seen on the background, that although the Danish women are among the best educated in the world, the share of women in management boards has only increased very little in the recent past years (Danmarks Statistik, 2011).
It consists of the following four elements both concerning private and public companies:

First of all the 1100 biggest companies in Denmark must formulate a numerical goal for the number of the underrepresented sex in the leading management (boards etc.). Every single company must therefore decide concrete numbers that are realistic and ambitious for the company.

Secondly the 1100 companies must have a policy for increasing the number of the underrepresented sex in the management of the company. This means that the individual company must create the potential within the company based on the specific needs and ideas of the company.

Thirdly the companies must on a yearly basis report on the status of the fulfilment of the numerical goals and if so why the company has not reached this goal. Further they must report on their policies, how it is implemented and what has been achieved.

If this is not done, the proposal contains a possibility of economic sanctions to the companies.

Fourthly all public sector enterprises must set numerical goals and develop a policy to get more women in the management.

According to the existing Equality Act § 11 paragraph 2 the boards of independent governmental institutions should if possible have a balanced number of men and women. According to the new proposal, paragraph 3 and 4, they must also set a numerical goal and develop a recruitment policy. Finally municipalities and counties are encouraged to formulate common guidelines of how to get more women in the management at the county or municipality level.

The legal strategy of the proposal in the Danish model is to give flexibility for the companies as it is not specifically stated how many per cent of each gender there should be in the management and boards. On the other hand the law proposal is clear concerning the legal obligation to set a numerical goal and report once a year on the results as well as on sanctions if there is no reporting. The minister of Business and Industry has specifically expressed his confidence in this strategy, quoted in a press release from his ministry: "We are convinced, that it is far better that the companies themselves set their binding targets, instead of strictly top-down imposed quotas. In this way the goal can vary from company to company adapted to the conditions within a particular business area" (Erhvervs- og Vækstministeriet, 2012).

After a hearing phase during the summer 2012 the laws has now been proposed in the Danish Parliament.

Conclusions and discussion

The comparative overview in table 1 shows many similarities in the legal strategy in the two countries with one important difference: Iceland has chosen quotas for boards, however not for the management level, and Denmark an obligation to set numerical goals for boards – but without quotas.

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2 Where the costs are mainly covered by public funds (state grants at a minimum of 60-70 per cent).
### Table 1. Comparative overview

<table>
<thead>
<tr>
<th>Legislation/ Coverage</th>
<th>Iceland</th>
<th>Denmark</th>
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<tr>
<td>Company law (law on limited companies and law on private limited companies), Gender Equality Act, Act on Pension funds</td>
<td>Proposal 2012: Public/private company law, Gender Equality Act</td>
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| Size of companies covered by the legislation concerning boards | From 50 employees in private companies. All state and municipal institutions. All public limited companies and enterprises where the state or a municipality is a majority owner. All pension funds (boards=quotas) | The 1100 biggest private companies. All state sector institutions and companies (boards=numerical goals) |

| Size of companies covered by the legislation concerning management | Bigger than 25 employees (management=no quotas) | The 1100 biggest private companies... (management=no numerical goals)...and all state sector institutions and companies (management=numerical goal) |

| Aim of the law (what) | Equal representation | To create real progress for women’s participation in management and boards of large private and public companies |

| Motivation behind the law (why) | Beneficial for the companies Gender Equality | Strengthen the competitiveness of Denmark and improvement of women’s representation at the management level |

| Mean to achieve the goal for company boards | Quota, 40% | Obligation to set numerical goals along with concrete policy |

| Quota / numerical goals for management? | No, only reporting on results | No, but obligation to formulate concrete policy |

| Annual Reports to public authorities on results | Yes, to the Register of Limited Companies (Hlutafélagaskrá) | Yes. State companies report to the ministry of gender equality, private companies in the yearly report on finances |

| Sanctions | Yes. Financial penalty | Yes. Financial penalty if not reporting |

| Soft measures besides the legislation? | Agreement from 2009 between SA, FKA and Viðskiptaráð, both concerning management and boards | Agreement between government and 10 largest private and public companies “Charter for more women in management” |

| Measures to follow up with the legislation | Promotional material, education, database | Evaluation after 2-4 years |

| Obligation to have a policy to increase the number of the underrepresented sex | No | State institutions and companies must develop a policy to increase the number of the underrepresented sex in all levels of management |

As for legislation they both cover company laws and equality law concerning both boards and management but the size of companies differ as Iceland has from 50 employees (SME’s) in private companies (for boards) and Denmark the 1100 biggest private companies but all state owned companies and institutions. In both countries it has been the point of view that the public sector should go in front by a good example.
The aim of the laws are very similar whereas the motivation behind the laws differs slightly as Iceland mentions that the laws should be beneficial for the companies and Denmark also has improvement of the competitiveness of Denmark. Both countries have a duty to send annual reports and economic fines if this is not done and also follow-up. Iceland with more concrete measures as promotion of the law, education and database and Denmark with evaluation after 2-4 years. Concerning the obligation to have a policy to increase the number of the underrepresented sex, Denmark has this whereas this is not included in the Icelandic laws.

The quota/non quota discussion might after few years again be relevant if the Danish strategy is not fruitful and Denmark might in the end follow the Icelandic and Norwegian example. Another point for inspiration for Denmark could be that Iceland has included private SMEs whereas the Danish proposal only includes the 1100 biggest private companies (however all state sector companies and institutions). An inspiration for Iceland from the Danish law proposal could be to include the management level in the law in order to improve gender equality at all levels in private and public companies. Concerning the soft measures in Denmark Iceland might find some inspiration for more concrete follow-up measures than before.

To conclude, both countries have developed their own legal strategies to handle the problem of unequal representation of women and men on boards and in management. However, as the laws have yet to be passed (Denmark) and enforced (Iceland), there are still lessons to be learned concerning the effectiveness of the strategies chosen by either country, both from the gender equality as well as the economical perspective.
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