

## Excerpts from Equality for Women = Prosperity for All (St. Martin's Press 2018)

### The Challenge of Quotas

(From Chapter 3, Women and Work)

It is worth examining the evolution of thinking on the subject of quotas. There is an interesting story associated with quotas at the corporate level and in parliaments. On the corporate front, Norway has played a path-breaking role. Back in 2002 senior politicians in Oslo noticed that women's representation in corporate boards was only 6 percent, a surprisingly low level given the remarkable progress made in the country previously, in reducing the gender gap in a number of areas. So the government decided to introduce voluntary quotas for publicly listed companies that year with a 40 percent target for women's participation in corporate boards by 2005. However, by 2005 the target was not achieved and what had begun as a well-intentioned exercise in good corporate citizenship was soon transformed into amendments to the Public Companies Act, making quotas mandatory and setting a new deadline of 2008. Companies unable to meet the target by 2008 would initially be subject to fines, followed by deregistration from the Oslo Stock Exchange and, in the case of outright noncompliance, dissolution.

These measures naturally generated interesting and at times, contentious debate. Two lines of argument were put forward by opponents of the legislation. The first addressed the need for diversity. Since there was a perception, in 2002 in Norway, that very few women were duly qualified as well as able and ready to serve on company boards, it was felt that a relatively small number of them were being asked to serve on a relatively large number of boards. This stirred considerable criticism as the quota critics considered it a highly undesirable outcome. A second line of argument was more philosophical in nature. It concerned the right of governments to tell corporate boards how to run companies, which were ultimately responsible to shareholders. Such perceived interference in the democratic process was also considered inappropriate.

Our view is that neither of these arguments is particularly persuasive. The initial lack of large enough numbers of women ready to serve in boards could essentially be a transitional issue, soon addressed by the emergence of training institutes and other educational initiatives aimed at teaching otherwise highly educated women how, for instance, to read a company's balance sheet and income statement. On the issue of whether governments should dictate or not dictate the composition of corporate boards, the fact of the matter is that governments impose a broad range of regulatory practices on companies all the time, including a whole battery of fiscal and tax obligations pertaining to their operations, all of which are generally motivated by some aspect of the public interest. Over the past decade, for instance, in a growing number of countries, governments are imposing constraints on companies based on issues relating to environmental protection. If there is well-substantiated evidence that companies with a larger number of women directors are actually better run, one could indeed argue that government would have an *obligation* to demand companies to boost gender diversity at the board level.

A related argument that has sometimes emerged in this debate has to do with the benefits of meritocracy, the idea that jobs should go to the best qualified people, even if, in this particular

instance, that should mean corporate boards overwhelmingly made up by men. It is, of course, difficult to argue against the virtues of meritocracy. However, it is glaringly obvious that the world has *not*, by and large, been run according to meritocratic principles. While there are, of course, many exceptions, the fact is that CEOs, prime ministers and presidents will often appoint buddies and cronies (otherwise sometimes known as campaign contributors) to serve on their boards or on their cabinets. Former Spanish Prime Minister Jose Luis Rodriguez Zapatero came under significant criticism in 2004 when he decided to impose a 50 percent quota of women serving on his cabinet of 16 ministers. The critics never saw the need to confront an otherwise obvious fact: namely, that in a country with over 46 million inhabitants, it should be theoretically possible, without having to sacrifice meritocratic principles, to find eight qualified women—irrespective of whether they are personally known or part of one’s “inner circle”—to serve in the cabinet! An equally interesting question in this context would be how long it might have taken Norway to achieve a 40 percent target for women directors in the absence of binding legislation. Our guess is at least a hundred years, and this assumes a substantial acceleration with respect to the previous half century. Male Norwegian CEOs prior to 2002 were, no doubt, very much committed to the principle of gender equality, but not when it came to the composition of their own companies’ boards.

Similar arguments can be made regarding quotas for elected legislative bodies. Although it is an improvement over the 1995 average of 10 percent, the Inter-Parliamentary Union reports a world average of only 23.3 percent women in combined houses of national parliaments as of May 2017. The statistics by region offer few surprises, ranging from 18 percent in the Arab States, 19.4 percent in Asia, 28.1 percent in the Americas, and 41.7 percent in the Nordic states. Interestingly, Rwanda outstrips the Nordic states with 55.7 percent, using its gender quotas as a fast track to gender balance. While women are poorly represented in the lower levels of government, they are rarer still in the upper echelons of decision-making. According to the Pew Research Center as of March 2017 “there are 15 female world leaders currently in office, eight of whom are their country’s first woman in power.” Since some of these women serve as both head of state and head of government, this translates to only 9 out of 152 elected Heads of State in the world and only 8 of 194 heads of governments.<sup>1</sup>

The use of quotas as a mechanism for the political empowerment of women has not been free of controversy, as illustrated by the story about Norway. Some, repeating the meritocracy argument, insist that quotas violate the principles of liberal democracy which should allow voters to make the ultimate decision on who gets elected. Others argue that quotas, far from introducing a discriminatory practice, are actually a sensible way to compensate for long-standing barriers that have prevented women from being adequately represented. In a historically male-dominated political system, women’s qualifications and suitability for office have been consistently downgraded. As a result, the world has not been able to benefit from the insights and experiences that women could have brought to political decision-making. A less charitable way to express this is to say that humanity has actually suffered immeasurably as a result of decision-making biases that are the direct result of a male dominated political landscape. According to certain thinkers, we need only glance over our shoulders at the blood-soaked 20th century and gauge the impact of its violent and grizzly excesses even today in order to confirm this fact. Indeed, if we look more critically at present habits and practices in our highly vaunted democracies, we will see that

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<sup>1</sup> Geiger & Kent, 2017.

political parties rather than voters control the nominations in most countries. In other words, contrary to received opinion, quotas in no way violate voters' rights and are therefore quite in keeping with democratic principles.

More and more countries are making use of electoral quotas. In some cases such as in Uganda, the Philippines, Nepal, Burkina Faso, constitutions are being amended to this end. There are other examples, in much of Latin America, Belgium, France, and Slovenia, for instance, where changes are being introduced to electoral laws. Such adjustments in the law can produce healthy results and their demonstrated effectiveness can lead to rapid emulation. Argentina, for instance, was the first country in Latin America to introduce candidate quotas in 1991, with party electoral lists required to have a minimum of 30 percent women among candidates for all national elections. Other countries in the region followed suit in the ensuing years. Progress is taking place even in countries where women were traditionally proscribed from any role in elected bodies. In early 2011, for instance, Saudi Arabia issued a Royal Order amending the composition of the previously all-male, 150-member Consultative Council by allocating 20 percent of its seats for women members. According to UN Women, as of June 2016, out of the 46 countries that had single or lower houses composed of more than 30 per cent women, "40 had applied some form of quotas—either legislative candidate quotas or reserved seats—opening space for women's political participation"<sup>2</sup>.

While such progress is encouraging, there are also examples of inertia that impede development. As of May 2017 India, for instance, has quotas at the sub-national level but not for its national parliament, where the share of women members is only 11.6 percent, which is some 12 percent points below the global average. A constitutional amendment to establish a 33 percent quota for women in parliament has been debated many times since it was first introduced in 1996, but has faced stiff opposition from some parties on the grounds that upper-caste women will displace lower-caste men. On the other hand, women's organizations have opposed the introduction of a system of sub-quotas within an overall quota for women, with some shares being allocated to lower-caste women, Muslim women, and other such groups. So, the politics of gender quotas have fallen victim to the nastier politics of caste. Clearly, even among the emerging economic giants of the world, much work remains to be done, which might account for the previously mentioned disparities in relation to the allocation of resources in India. There are also many countries where there is a substantial gap between the quota set by the law and the actual results on the ground. In some cases, despite every effort to ensure parity, women are being placed at the bottom of party electoral lists.

Quotas are clearly not an end in themselves. They are meant to be an instrument to achieve a better outcome for women, a tool to boost the sharing of prosperity in countries. They will hopefully not be needed in the future as people understand the value of having women in decision making positions and the social norms change. But although they remain a controversial issue, the discussion about them reflects a shift in the broader debate about equality. We have begun to move away from an emphasis on the desirability of equality of *opportunity*— meaning, in this particular context, the removal of barriers preventing women to vote—to the need to ensure equality of *outcomes*, or results. If half a century after the removal of restrictions on voting rights, women are

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<sup>2</sup> UN Women calculation based on IDEA, Stockholm University and IPU, Global Data Base of Quotas on Women (UN Women, 2016).

still grossly underrepresented in political decision making bodies, then other means have to be used to ensure a speedier removal of the thousand and one hidden barriers which have impeded and curtailed their political empowerment. Radical decisions have to be taken and more effective means of their implementation have to be found in order to ensure that women can more rapidly and actively contribute to improving social welfare.

In respect to this wider debate, the evidence in a number of different studies is really quite encouraging. For instance, some countries with quotas for women in Parliament show higher female labor force participation rates. Quotas also appear to have an impact on government spending priorities. Other studies reveal that there is greater spending on social services and welfare where quotas are implemented.<sup>3</sup> In other words, generally speaking, quotas have begun to ensure that the quality of political decisions will differ. A 1993 study carried out in India looking at data for 265 village councils found that once a quota established a one-third share for female membership, there was considerably more investment in infrastructure relevant to the needs of women and children. Also in India, a 2004 study on panchayats (local councils) discovered that the number of drinking water projects in areas with female-led councils was 62 percent higher than in those with male-led councils.<sup>4</sup>

Quotas may also have far-reaching and meaningful results for gender equality in the Indian state of West Bengal.<sup>5</sup> Since 1998, one third of village council leader positions in this area were randomly reserved for women. The study explored the effects of this policy for two electoral cycles, or ten years. The findings are fascinating. Initially public opinion towards female leaders was low, and villagers rated female leaders as less effective than men despite similar performance. However, exposure to female councilors over a ten-year span altered perceptions of gender roles both in society and in the home. The negative bias male villagers held towards the effectiveness of female local leaders was reduced. After ten years, women were more likely to run and win local level political races in villages that had instituted the quotas for positions unaffected by the quotas. So while they may not be an end in and of themselves, quotas can clearly achieve positive ends.

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<sup>3</sup> Chen, 2010.

<sup>4</sup> Chattopadhyay & Duflo, 2004.

<sup>5</sup> Beaman et al., 2012.