

Exchange of good practices on gender equality

Women in economic decision making

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Women in economic decision making from an Austrian perspective

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1. Introduction: The Austrian Context

Austria - as many other European countries - is facing a low rate of women in top management positions as well as in boards. Furthermore several scandals and cases of bankruptcy published in Austrian media lead to an intense discussion on the role and responsibility of non-executive boards in Austrian companies. The debate also made visible that most boards are rather homogenous in terms of gender (i.e. men), age (average 58 years), and nationalities (Austrian) (see Heidrick and Struggles 2009). Unterköfler (2007) attested Austrian board members a high scepticism concerning the corporate governance codex. Hanappi-Egger and Mensi-Klarbach (2010) showed that Austrian board members consider social networks as most important reason to be nominated for boards.

In particular the latter – namely not being part of powerful social networks - is in Austria a hindrance for women to enter boards or top management (Hanappi-Egger 2011) though the often cited 'excuse' for the low share of women in these positions is the lack of qualified women. With respect to board members' qualifications Austrian law requires basic business knowledge. Nevertheless international standards are defined in literature (see Kalss et al 2008) in particular since there is an even growing awareness of the responsibility and personal liability of board members.

Consequently several new training modules and programmes were established, e.g. the Governance Excellence Programme at the Vienna University of Economics and Business or the women-only programme 'Future.Women' organised by the Austrian Chamber of Commerce in cooperation with the Federation of Austrian Industries and the Federal Ministry of Economy, Family and Youth (www.zukunft-frauen.at). A very recent evaluation of this women's programme by Hanappi-Egger and Mensi-Klarbach showed that within two years 2 out of 25 female graduates (who answered the questionnaire) were actively approached and proposed for board memberships. These women tend to be much younger than male board members.

In order to evaluate the presented good practice examples one has to keep the Austrian specifics in mind:

- In Austria most of the companies are small and medium-sized corporations (measured by number of employees): In 2009 87,1% of the Austrian companies had less than 10 employees representing only 16,9% of the sales revenue. One third consisted of one-person companies. Only 0,4% of the companies had more than 250 employees. More than one third (33,4%) of all employees work in corporations of this size. This group of companies represented 38,7% of the sales revenue (Statistic Austria 2011).

- 80% of the Austrian companies are family businesses. This means that family members are highly influential concerning economic decision making (Mandl and Obenaus 2008).
- The employment rate of women is 69,6%, the gender gap in income is rather high compared with the EU-average (Biffel et al 2011).
- In Austria the two-tier system exists separating the board from the CEOs and guaranteeing union representatives one third of the seats.

2. Policy debate on women's quota

Currently Austria is governed by a coalition of the social democratic party – providing the chancellor – and the conservative party – providing the vice-chancellor. Since several years now the topic of the low rate of women in top-management positions and in boards is part of heated political debates. The involved stakeholders proposed different solutions: The Austrian government decided in 2011 to introduce a self-committed 40% quota in semi-public companies: This means that in the 55 companies with a public shareholder of at least 50% in 2013 25% of board members should be female and by the end of 2018 at least 35% (BKA 2011). However, no serious sanctions have been decided in case the goals will not be reached.

The private sector definitely resists any quota regulation and emphasizes the self-regulation idea. Thus the Austrian Code of Corporate Governance (ACCG) is considered as a major framing of corporate behaviour. The Austrian Code of Corporate Governance first published in 2002 by the Austrian working group for corporate governance – representing the self-commitment of the corporate world - is annually reviewed. In 2012 the focus was on “the development of the diversity rule and the inclusion of new rules to improve cooperation between supervisory board and auditors. The two measures address important approaches to increase the effectiveness of the supervisory board and to strengthen investor confidence. The constant improvement of corporate governance at Austrian listed companies is to be achieved primarily by the flexible voluntary self-regulation pursuant to the „comply or explain“ principle.” (ACCG 2012, p.6). With respect to diversity it is suggested that the nomination committee or the supervisory board should present proposals to the general meeting “for appointments to the mandates on the supervisory board that have become vacant.

In this context, the principles of C-Rule 52, especially with respect to the personal and professional qualifications of the members and a balanced composition of expert knowledge in the committee must be taken into account. Furthermore, the aspects of diversity of the supervisory board with respect to the internationality of the members, the representation of both genders, and the age structure shall be reasonably taken into account.” (ACCG 2012, p.29). This information as well as measures taken to promote women in top management and in boards should be published in the Corporate Governance Report.

Ahmad et al (2012) showed that the measures of the last years have not been effective: In Austria's top 200 companies only 5,1% of executive board members are women. In non-executive boards the increase of the rate of women was from 10,3% to 11,2%. Consequently the (female) Minister for Women and Civil Service demands a women's quota for the private sector as well, while the (male) Minister for Economy, Family and Youth as well as some representatives of the private sector still reject the idea of a quota.

3. Transferability issues

The presented cases of Norway, Denmark and the UK offer some important benchmarks and guidelines for Austria, but also have some limitations with respect to the Austrian context:

3.1. Norway

The Norwegian case is a good practice example of quota in combination with a) severe sanctioning systems and b) a societal setting of gender balance. It is an important example Austria could learn from since in Norway the well-known counter arguments are proven to be wrong: the lack of qualified women was de-masked as myth as well as the prejudice that women are not interested in taking responsibilities in economic decision making. An important detail in the presentation was the need for professional networks. Nevertheless Norway indirectly supports the Danish case by observing that no significant spill-over effects occurred. This means that it is obviously important to keep an eye on the whole economic system.

Norway is often cited as good practice example in Austria, but nevertheless the willingness to copy or to imitate is modest. Thus, more pressure would be needed to force the private sector to accept a formal women's quota – which would lead to heated debates. I would expect similar results: increasing numbers of women in boards but probably no significant changes in CEO and top management positions.

3.2. Denmark

The Operation Chain Reaction (OCR) is an interesting approach since it takes various stakeholders into account and focusses on talent management – which is a less provocative concept than “quota”. It is important – as highlighted in the Danish case – not just to concentrate on a single topic (such as women in top management) but to consider the promotion of women from a career perspective. This means to include the various stages of management careers in the gender debates, e.g. women in directorships or in corporate executive boards.

However, again the OCR is a policy of self-regulation which means that no severe sanctions will follow in case of delays or non-achievements.

For Austria the idea to design a broad “operation chain” could be applied and as a matter of fact is often used as counter argument for focussing too much on boards. Thus, a concept such as OCR could even result in additional delays by delivering further excuses such as lack of directors or lack of corporate executives for the lack of women in boards. The presented case also focusses merely on women (as talents) but ignores structural hindrances.

3.3. UK

The UK case points to a highly relevant issue in the discussion of gender balance in economic decision making: the role of the structural and indirect exclusion mechanisms. Thus it is important to identify the obstacles and to remove them instead of “just” encouraging and educating women without questioning the system.

The principle “comply or explain” idea was adopted in the Austrian Code of Corporate Governance, nevertheless without sanctions it remains a “toothless” instrument. Other UK measures can also be found in Austria: Since 2012 companies have to publish their salary structure and they have to mention the expected salary in job announcements. Furthermore companies should report their measures to promote women. All in all it can be stated that the UK case represents an approach involving learning hoping that by rational argumentation the involved key players of business (in particular investors) can be convinced that gender diversity will pay off.

From a system theory perspective and from the Austrian discussions some doubts about the effectiveness of this learning approach could be formulated: First, systems tend to change only slowly due to their internal system logic – thus it is rather an evolutionary approach than a revolutionary one. Second, it is often neglected that micro-politics play a crucial role in these debates.

Summary

The discussion on women in economic decision making requires a multi-faceted approach:

- Women’s empowerment clearly needs measures in terms of mentoring systems, networking activities and exchange of experiences. Transparency of application procedures, of recruitment and promotion in corporations, of income distributions will contribute to the elimination of gender-specific segregation. Additionally monitoring systems are needed.
- On the structural level a critical reflection on the system logic is needed. Thus disadvantaging structures and norm setting in economy have to be questioned – such as norm biographies in career expectations. Work-life balance is an urgent topic for women as well as for men. Substantial and sustainable system change requires strong interventions – such as quotas, sanctions and the like.

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