

Exchange of good practices on gender equality

Women in economic decision making

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Wake up Call to Estonian Business Elite

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1. Introduction

There are less than twenty listed companies in Estonia.¹ Estonian companies listed in an EU/EEA securities market follow the International Financial Reporting Standards (IFRS) since 2005. In Estonia there are two main forms of business undertakings: private limited company (OÜ) and public limited company (AS). About 80% of companies are registered as OÜ-s because the incorporation of such companies does not require a lot of capital and OÜ is easier to run (adopt decisions, make annual statements etc). Women's position in business elite is weak. In supervisory boards of 22 state-owned companies out of 116 persons 24 are women, out of them couple of „golden skirts“ in a road maintenance industry.² Whereas there are no women in boardrooms of the powerful companies like Eesti Energia, Elering, Eesti Raudtee, Estonian Air, Eesti Post, Tallinna Sadam, Lennuliiklusteeninduse AS.

Values and business culture

Estonian society has led by two centre-right parties.³ The *Riigikogu* has 101 members and is male dominated, only one fifth is women (**Table**). Currently there is only one woman among the Cabinet members.

Table. A share of women in parliamentary elections in 2011

	Elected			Candidates ⁴		
	Average age	Men	Women	Average age	Men	Women
Estonian Reform Party	44,9	28 (84,8%)	5 (15,2%)	45,4	100 (80,0%)	25 (20,0%)
Estonian Centre Party	48,5	19 (73,1%)	7 (26,9%)	49,6	91 (72,8%)	34 (27,2%)
Pro Patria and Res Publica Union (IRL)	45,1	19 (82,6%)	4 (17,4%)	46,6	107 (85,6%)	18 (14,4%)
Social Democratic Party	44,7	15 (78,9%)	4 (21,1%)	46,7	82 (65,6%)	43 (34,4%)
TOTAL	45,8	81 (80,2%)	20 (19,8%)	47,2	611 (77,4%)	178 (22,6%)

It is often claimed that material values have a too high position in Estonia. In value surveys family, friendship and safety have high priority, but in everyday life, when

¹ Although on the stock market of Tallinn there are quoted the least number of companies – 15, in fact all of them (except one) have been listed on the Main List since 2008. (Stock Market in Estonia. <http://balticexport.com/?article=igaunijas-akciju-tirgus&lang=en>, accessed 10 April 2012).

² Actually “golden-skirts” have disappearing in a process of forming one larger public limited company “Eesti Teed” of the five state companies that were operating in this field Source: Riigi osalusega äriühingud (State-owned companies). <http://www.mkm.ee/326520/>, accessed 10 April 2012.

³ The Reform Party and Pro Patria and Res Publica Union (IRL).

⁴ Total of characteristics of candidates is calculated out of entire pool of candidates (9 parties and independent candidates).

primary needs are satisfied, a conspicuous consumption keep people busy. Women's media representation of successful women in politics, business or science still covers their outlook as a canonical part of the story. For example, when Anne Mere from Estonia was elected to top management to the Finnish company, the headlines in Estonian media were like „A Blonde Beauty Went to Top Management of Big Company“.⁵

Political correctness is not yet a habit and it is possible that some chairman of council of the local government could say that an ethics has no place in his activities. Low business ethics could be guessed due to some „suits“, who have many lawsuits and masters on bankruptcy, where stakeholders and subcontractors have lost their assets and trust. As a shareholder is not personally liable for the obligations of the public limited company. A public limited company is liable for the performance of its obligations with all of its assets.

These examples are cementing a myth about „dirty politics and dirty business“, where women „do not want to participate“. Estonian innovation is business taxation with zero taxed business profit if reinvested has some setbacks. As money is needed, it should be taken from other pockets. One of these pockets could be fringe benefits, which means actually taxation of HR development and decline in corporate responsibility. Corporate social responsibility is costly in Estonia.

To look on the bright side of Estonian development, there should be stated that enormous work has been done during the last two decades, nation state has rebuilt again, well educated young people and learning society exist. Economy is restructured, an average salary has increased 100 times during a last twenty years. A share of women MPs has increased from 7 per cent to 20 per cent. Women outperform men in educational attainment as in many countries in the world. It is weird to hear in media discussions and parliamentary debates that “we do not have competent women” to the top positions.

Recruitment

In the most cases individual candidates are competing. In Estonia both an informal and official recruitment are used. There is no statistics available for private sector, but if to look at data on recruitment for public civil service, in 2009, a third of recruitments were not announced, and in 2010, a quarter was recruited without public competition.⁶ However, the law states that the State Secretary shall, in the official publication *Ametlikud Teadaanded (Official Notices)*, announce a public competition for a vacant position. Currently amendments to the Public Service Act are debated in the Riigikogu in 2012. The Explanatory Memorandum expresses clearly an idea of equal opportunities and principle of equal treatment. It is stated that more attention is paid to a public competition for a vacant public service position.

The Estonian Gender Equality Act (GEA)⁷ refers also to job applicants and they are also deemed to be employees. Article 6(1) of the GEA stipulates that cases in which an

⁵ HKScan home market consists of Finland, Sweden, Denmark, the Baltics and Poland. About Anne Mere on the HKScan website: http://www.hkscan.com/portal/english/hkscan/management_team_of_hkscan/ and in Estonian media <http://www.tarbija24.ee/735726/blond-kaunitar-suure-ettevotte-eesotsas/>, accessed 10 April 2012.

⁶ Avaliku teenistuse aastaraamat 2010 (Yearbook of the Civil Service 2010). Rahandusministeerium, page 76.

⁷ The GEA was adopted in 2004 and amended in 2009 according to requirements of the Recast Directive 2006/54.

employer selects for employment or a position a person of one sex and overlooks a person with higher qualifications and of the opposite sex shall be deemed to be discriminating, unless there are strong reasons for the decision of the employer or such decision arises from circumstances not related to gender. Unfortunately case law is poor in giving additional explanations to existing equality legislation. The Chancellor of Justice and Supreme Court and the Court of Justice have several times stated that the principle of equal treatment requires that comparable situations must not be treated differently, and different situations must not be treated in the same way, unless such treatment is objectively justified. From other side, Estonian equality legislation is applicable in rarely legally mentioned cases of discrimination on grounds of all spheres of social life and social status.

Management and supervisory board elections

Estonia has a two-tier board system. In this case the general meeting could have only the competence of approving the remuneration policy of the supervisory board, and the supervisory board would have the competence of approving the remuneration policy of the management board. In such a case, the shareholders should obtain an overview of the remuneration policy and remuneration report of the executive directors with the annual report. Sexist language is used throughout the Commercial Code. The words “woman”, “man” and “gender” are missing in the text of Commercial Code. Furthermore, the historically accepted wording for a leader (expectedly male, in Estonian “esimees”, the first man) is used.

The shareholders can agree the requirements of a specific qualification and experience to be prescribed for the members of the supervisory board (or for the chairperson of the supervisory board) e.g. in the articles of association of the company. Estonian position paper stresses that “*Estonia does not support the determining of recruitment policy and regulating the diversity policy of the supervisory boards’ composition on the level of the European Union*” and that “*the listed company itself must be able to determine which specific skills the member of the supervisory board should have and how diverse composition its supervisory board needs.*”⁸ There is said that Estonia supports an as flexible European Union framework of corporate governance as possible, “*because it allows both companies and Member States to react effectively to changes in the society.*” Actually there are huge economic and gender disparities (society has changed), but it is impossible to see “effective reactions”.

Article 9(4) of the Gender Equality Act (GEA) stipulates that the membership of committees, councils and other collegial bodies formed by state and local government agencies shall, if possible, include both sexes.

Corporate Government Recommendations

The Financial Supervision Authority has accepted the recommendable guideline Corporate Governance Recommendations.⁹ The proposed guidelines are intended, first and foremost, for the listed companies, and are also enforced by the regulations of the Tallinn Stock Exchange. The guidelines have taken effect since January 1, 2006. The

⁸ Public consultation “The EU corporate governance framework”. Opinions of Estonia, page 7. http://ec.europa.eu/internal_market/consultations/2011/corporate-governance-framework/public-authorities/ministry-of-justice-estonia_et-en.pdf, accessed 10 April 2012.

⁹ Corporate Governance Recommendations, (http://www.ecgi.org/codes/documents/cg_recommendations_2005_en.pdf, accessed 28 March 2012).

aim of the Recommendations was to make the management of listed companies more transparent, it was suggested that all financial institutions that are under the local financial supervision abide by them. All other companies in Estonia were also encouraged to follow these guidelines.

Corporate Governance Recommendations were prepared on the basis of Estonian legislation, structure of shareholders of Issuers acting in Estonia and taking into account the main problems that arise in company management. There is required equal treatment of shareholders. This text starts with an introduction, where the first sentence states that a roundtable of “wise men” has taken place:

In November 2004 The Tallinn Stock Exchange and Financial Supervision Authority conducted a roundtable of so called wise men, during which people associated with various economic sectors came together collectively as a group of experts.

Opposing gender quotas

Gender quotas are seen as “an extreme measure”. Resistance to the implementation of gender quotas is visible in Estonia and many decision makers (MPs, employers, trade unionists etc) have publicly expressed an idea that gender quotas is the wrong way. Quotas have been publicly debated in several meetings. Gender quotas debate has got a new wave in the 2012 in a light of EC policies and debates. MP, former EPM, a Social Democrat Marianne Mikko has stated in daily newspaper that ‘gender quotas is still scary topic in Estonia in spite of the fact that it is widely used regulation in the European Union, which states that there should be 40 % women in advisory boards in publicly traded companies’.¹⁰ At the same time, the President of the Estonian Business and Professional Women Pille Ruul has commented Mikko’s statement with opposition and said that ‘gender quotas is an extreme measure and it has little effect if we take into account that a number of publicly traded companies is small in Estonia’.¹¹

Estonian government has expressed an opinion against prescriptions for company boards¹²:

Professional, international and gender diversity must not be a goal per se; instead the goal must be to ensure a sufficiently capable and effective supervisory board conforming to the needs of the listed company. We are also firmly against the establishing of any quotas for the composition of supervisory board. The enforcement of any quotas would lower the priority of the most important selection criterion, i.e. the competencies and capabilities of the members of the supervisory board to perform their duties. As a conclusion, it is our opinion that the decision about necessity of regulating the diversity must stay within the competence of each Member State.

¹⁰ K. Vasli ‘Marianne Mikko: Eestis tuleb kasutusele võtta sookvoodid! (Marianne Mikko: Gender Quotas Should be Accepted in Estonia)’, *Õhtuleht*, 29. veebruar 2012, <http://www.oh tuleht.ee/466657>, accessed 29 March 2012.

¹¹ M. Lohk ‘Pille Ruul: sookvoodid on väga äärmuslik mehhanism (Pille Ruul states that gender quotas is an extreme measure)’. *Naine24.ee*, 29 veebruar 2012, <http://www.naine24.ee/755734/pille-ruul-sookvoodid-on-vaga-aarmuslik-mehhanism/>, accessed 30 March 2012.

¹² Public consultation “The EU corporate governance framework”. Opinions of Estonia, page 7. http://ec.europa.eu/internal_market/consultations/2011/corporate-governance-framework/public-authorities/ministry-of-justice-estonia_et-en.pdf, accessed 10 April 2012.

Quotas are rejected by economists who have studied the gender pay gap (Turk et al 2011: 15)¹³:

Quotas, a relatively radical measure, have been used to increase the proportion of women in high positions, by setting a mandatory minimum participation for women on the boards of enterprises or institutions. /---/ Keeping in mind the aim to reduce the gender pay gap it would not be meaningful to impose gender quotas on management in Estonia since the impact of the measure would be low. The large proportion of men amongst managers is primarily due to the gender differentiation amongst top managers, which would not be affected by imposing a gender quota on a management board. Amongst managers on the lower level, however, the share of women is already approximately 40%.

However, gender inequalities are more often discussed in national policy debates in Estonia; on the first place is the gender pay gap, which has been a hot topic already for the last five years. Even the Prime Minister Ansip has told that “we could not tolerate the fact that pay gap in Estonia is higher than in Latvia, Italy and Malta”.¹⁴ But there are some strange statements in his speech. He has told that this issue should be studied and he did not say anything about existing and recently made gender pay gap research.¹⁵ Authors (Turk et al 2011) have actually given a list of recommendations.¹⁶ Another interesting utterance by the Prime Minister was that “a problem exists and needs to be tackled, and the *problem could not be minimised and simplified in way like introducing quotas and problems disappear*./---/ There are no quotas in Italy and Latvia. Reasons for our gender pay gap should be sought elsewhere.” Ansip has encouraged studying Latvian experience.

Main arguments against quotas are:

- Quotas are an extreme measure;
- There are not enough competent women, quotas bring incompetent women to the boardroom;
- Competent women are promoted anyway;
- Quotas humiliate quota-women;
- Nobody wants to be a quota-woman;
- Women themselves are not interested to have a position with responsibilities;

¹³ Turk, P.; Kraut, L.; Anspal, S.; Kallaste, E. (2011). Gender Pay Gap in Estonia: Policy Recommendations. http://www.sm.ee/fileadmin/meedia/Dokumendid/V2ljaanded/Publikatsioonid/2011/Gender_pay_gap_Estonia_recommendations.pdf, accessed 19 April 2012.

¹⁴ Ansip palgalõhest: ei tea, kust õnnestub õppust võtta. *Postimees Online*, 19.04.2012. <http://www.postimees.ee/813670/ansip-palgalõhest-ei-tea-kust-õnnestub-õppust-võtta/>, accessed 19 April 2012.

¹⁵ A study on gender pay gap in Estonia was made in cooperation of the Ministry of Social Affairs, the Policy Research Centre Praxis and the CentAR, financed by the ESF gender equality programme 2008-2010. This study has used mixed-methods (survey, interviews, case studies and analysis of policy analysis). http://www.praxis.ee/fileadmin/tarmo/Projektid/Tooja_Sotsiaalpoliitika/Palgalõhe_kogumik_veeb.pdf, accessed 19 April 2012.

¹⁶ Turk, P.; Kraut, L.; Anspal, S.; Kallaste, E. (2011). Gender Pay Gap in Estonia: Policy Recommendations. http://www.sm.ee/fileadmin/meedia/Dokumendid/V2ljaanded/Publikatsioonid/2011/Gender_pay_gap_Estonia_recommendations.pdf, accessed 19 April 2012

- A number of listed companies is so small in Estonia, quotas do not bring a change in business mentality and society;
- Degrading an idea with jokes like “who and how will be halved in case of three or five members in board”;
- Business owners, shareholders know the best, whom to recruit;
- Policy makers have not to interfere in businesses.

Positive programmes and initiatives

Gender mainstreaming and implementing equality laws in Estonia is slow and law enforcement is weak. But there is an impact and transposing equality directives into national laws is giving a chance for legal disputes. The opinion of the Gender Equality and Treatment Commissioner is taken into account as an expert opinion in court cases. In the framework of the PROGRESS programme, in 2010-2012 a project ‘Mainstreaming gender perspective into state budget’ was carried out at the Commissioner’s Office. Gender equality bodies have small resources. The Norway grant programmes also support promotion of gender equality and anti-violence projects. However, the Department of Gender Equality has succeeded to carry out many influential projects, gender research, gender monitors, legal initiatives and draft laws.

In Estonia a programme „Promotion of Gender Equality 2011-2013” takes place which is supported by the ESF. Budget for 2011 was 120 426, and 85 % (EUR 102 362) is covered by the ESF and 15 % is national funding.¹⁷ The project goal is promotion of gender equality and tackling gender discrimination. The project aims are to enforce equality legislation and to ensure implementation of equality laws, also awareness raising of employees and employers in a field of equality and to tackle gender stereotypes and to minimise a negative effect on women and men.

As the pay gap in Estonia is the highest in Europe, it is needed to raise the public awareness and initiate public discussion how to narrow the gap. Estonian Business and Professional Women’s Association is one of the initiators of the Equal Pay Day in Estonia, which was held on 19 April 2012. Why on April 19? Because this is the amount of extra days in the current year women need to work to get the same amount of annual income than men for the previous financial year. The event has got a pretty good media attention this year and several male opinion leaders were involved.

Women in business organisations are initiators for promoting female entrepreneurship for many years. Numerous women have participated in business trainings, coaching, mentoring circles, and micro credit projects. Women are active in the social entrepreneurship and solving community and social problems on project basis. There is a pool of women ready to enter to boardrooms, but gatekeepers are strong in power and in rhetoric.

In Estonia about 50 branch organisations of different industries, regional business clubs and four umbrella organisations are active. Umbrella organisations are Estonian Employers' Confederation (ETTK), Estonian Chamber of Commerce, Estonian

¹⁷ ESF programmi „Soolise võrdõiguslikkuse edendamise 2011-2013” lühikokkuvõte.
<http://www.sm.ee/tegevus/sooline-vordoiguslikkus/soolise-vordoiguslikkuse-edendamise-programm-2011-2013.html>, accessed 29 March 2012.

Association of SME's (EVEA) and Estonian Business Association (ESEA). Estonian Employers' Confederation represents 24 branch organisations who join more than 1500 companies and 60 single large enterprises who employ 35 % of private sector employees of Estonia. EVEA is a member of the International Council for Small Business (ICSB) and an associated member of UEAPME.¹⁸ ESEA represents 48 businessmen (purely old-boys network) and the Association is the member of The International Congress of Industrialists and Entrepreneurs (ICIE).

2. Transferability issues

Gender Quotas

There were several preconditions for introducing mandatory gender quotas on corporate boards in Norway: democratic thinking, gender equality principle in general accepted and understood, positive actions, involved citizens, effective networking, good practice examples, and high participation rate of women in politics, a critical share of women among legislature. It was interesting to read about a fear of „golden skirts“ in Norway (Teigen 2012: 11). It was interesting to discover „golden-skirts“ in Estonian state-owned firms. There were some women in supervisory boards of companies

Norwegian legal quota initiative could bring positive change in Estonia, but it is hard to imagine who is ready to take a legal initiative. It is complicated to pass a draft law in the *Riigikogu*. On the other side, transposition of articles of equality directives into national legislation has given an impact. There are public debates and trainings on discrimination, equal treatment, work-family balance and many other issues, which were not so important five years ago. Also case law is developing and gives additional clarification in this area. This is a proof of importance of existing legal remedies. An utterance that „there will be none or minor impact“ is not true.

“Hands off” policy towards business life could be seen in relation with bigger public limited companies. In the Estonian case it could be said that “hands off” policy is practiced towards powerful and star companies. In relation with smaller and micro firms some lip service from the side of politicians and executive power could be discovered, and some political decisions are unpleasant and undesired for entrepreneurs.

There could be many reasons for weak law enforcement in Estonia. Personal scope of discrimination cases puts responsibility to the employer. The Norwegian case has explained that “the rather tough sanctions were implemented (Teigen 2012: 6).¹⁹ For Estonia also open and fair competition for vacant managerial positions of state-owned companies or municipal companies would be a success. Unfortunately, a myth about “no women available for top positions” is reproduced every day.

Mandatory legal quotas for boards of the listed companies, state-owned companies, municipal companies and inter-municipal companies are possible in Estonia only under the pressure from the Commission. Knowing good examples, as the Norwegian one, is not enough to bring a change in Estonian power structures.

¹⁸ Pan-European umbrella organization of SME associations.

¹⁹ Teigen, M. (2012). Gender Quotas on Corporate Boards. Discussion paper - Norway.

Voluntary regulatory measures

The UK way seems not possible to use (Sealy 2012).²⁰ There are a couple of reasons: High quality corporate governance has been promoted for many decades in the UK, in Estonia the history of listed companies is short and business culture should overcome teenager's problems. Estonia is a small country, but it is very hard to imagine a person, with high authority and respected by opinion leaders.

Work with elite could be effective in the long run. It is possible in Estonia to find and make the Goodwill Ambassador. To make lobby is not so complicated, but when a topic is problematic, then a success is hard to expect. And the pool of MPs is complicated company to work with. The Auditor General called them "skilful politicians".²¹

Estonia has one more important obstacle in volunteering – here a pool of people who could have a voluntary unpaid work, is small. People do not have enough savings and income to make consistent lobbying, lecturing, PR and campaigning. There should be a team and delegation. Trust is needed and belief in success. Then everything is possible.

Learning from the Danish initiative

Denmark has made attempts to improve female representation in the board room with soft method and initiating voluntary positive actions (Verner 2012).²² It is a bit surprising that in Denmark have been held similar debates as in Estonia, because Denmark has been involved for many years in gender equality initiatives. Similarity is connected with an expressed suspicion what Verner (2012) has picked out that "there are simply not enough qualified women". This is also one of widely used anti-argument in Estonia.

Kraut et al (2011) have also stated about the importance of the existing pool of female managers and entrepreneurs. They have stated that there should also be concentration in Estonia on increasing the supply of female labour with management qualifications, which would create preconditions for both a greater inclusion of women in management positions, as well as for the development of female entrepreneurship.

There are many important aspects to transpose from the Danish programme Operation Chain Reaction (OCR): analysis, planning, targeting, involving, recruiting and making a media campaign. Careful planning of wording should be made. For example it is not an encouraging tone to use that "We are looking for talented women". Many women out of the existing pool of candidates do not react, because they are not so sure, that they know, what "talented woman" means, is it applicable for them and there is also a fear to be stigmatised.

²⁰ Sealy, R. (2012). The UK's Approach to Women on Boards: The Davies Report and Beyond. Discussion paper – UK.

²¹ A speech in the Riigikogu presenting the Annual Report on 2010. The National Audit Office investigates how the will of the Riigikogu has been followed and whether the spending has been reasonable and whether the results that the Government promised to achieve when obtaining money from the Parliament have been achieved. Oviir has said (13.102011): „Hiljuti ütles üks Riigikogu liige Riigikontrolli audiitoritega kohtudes, et riigikogulase isemõtlemine ja valitsuse otsuste ümbertegemine tähendaks ju midagi mässulaadset.“ („Recently one MP has told to auditors that to reorganise a thinking of MPs and fixing or even remaking decisions made by the Government is nothing else that a rebellion.“)

²² Verner, M. (2012). Operation Chain Reaction. Discussion paper – Denmark.

Main obstacles in Estonia are:

- Ignorance;
- Denial;
- Lack of goodwill;
- Opinion leaders are mostly men and satisfied as it is;
- Male dominance among legislators;
- Gender stereotypes.

To conclude, traditional old-fashioned values often still prevail without understanding that the twenty first century is here and a changed society is knocking on the door. It is clear, that younger generations are mobile and they vote with legs. Estonian government has declared about goals for attracting investors, but if own people are disappointed, it is hard to gain a place among welfare states.