Enhancing Women's Economic Empowerment through Entrepreneurship and Business Leadership in OECD Countries

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ENHANCING WOMEN'S ECONOMIC EMPOWERMENT THROUGH ENTREPRENEURSHIP AND BUSINESS LEADERSHIP IN OECD COUNTRIES

BACKGROUND REPORT TO CHINA DEVELOPMENT RESEARCH FOUNDATION PROJECT ON ENHANCING WOMEN'S ECONOMIC EMPOWERMENT THROUGH ENTREPRENEURSHIP AND LEADERSHIP IN THE MIDST OF CHINA'S NEW URBANIZATION

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Background Report to China Development Research Foundation project on Enhancing Women's Economic Empowerment through Entrepreneurship and Leadership in the Midst of China's New Urbanization

中国发展研究基金会
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FOREWORD

Gender equality is both a moral and economic imperative. Closing the gender gap must be a central part of any strategy to create more sustainable and inclusive economies and societies. It is about fairness and equity, the realisation of individual aspirations, economic empowerment around the world and growth. Greater educational attainment has accounted for about half of the economic growth in OECD countries in the past 50 years – and that owes a lot to bringing more girls to higher levels of education and achieving greater gender equality in educational attainment.

The OECD provides support for the gender policy agenda in different forms. It has been instrumental in putting the important role of gender equality for economic growth on the G20 agenda (OECD et al., 2014), it supports gender equality and women’s rights in the post-2015 development agenda, the OECD Development Centre monitors discriminatory social institutions around the world, it monitors progress in gender equality and relevant policy developments through a range of tools, publications and policy notes, including the OECD Gender Data Portal and special chapters in OECD Economic Surveys and a range of analytical publications.

This document reflects ongoing work on entrepreneurship within the OECD and was prepared as background paper for the China Development Research Foundation (CDRF) project on Enhancing Women’s Economic Empowerment through Entrepreneurship and Leadership in the Midst of China’s New Urbanization. An initial draft was presented and discussed at the project’s third workshop on 22 July 2014 in Beijing. This document provides a comprehensive overview and analysis based on global evidence to support the hypothesis that enhancing women’s economic empowerment by improving entrepreneurship and leadership could contribute to economic growth, job creation and prosperity. It includes policy analysis and best practices/solutions from OECD countries to support the main argument.

This report was prepared by Willem Adema, Nabil Ali, Valerie Frey, Hyunsook Kim, Mariarosa Lunati, Mario Piacentini, and Monika Queisser. The OECD is solely responsible for the accuracy of the factual information provided in the report and for any of the views expressed therein.

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1. Introduction and main findings

The case for gender equality is founded in both human rights and economic arguments. As such, closing gender gaps must be a central part of any strategy to create more sustainable and inclusive economies and societies. In order to identify barriers to greater gender equality and build on its expertise in these areas, the OECD launched its Gender Initiative to help governments promote gender equality in Education, Employment and Entrepreneurship (Box 1). Greater education participation, from an early age onwards, provides better economic opportunities for women by raising the overall level of human capital and labour productivity. Mobilising hitherto underutilised labour supply and ensuring higher female employment will widen the base of taxpayers and contributors to social protection systems which will come under increasing pressure due to population ageing. More gender diversity will help promote innovation and competitiveness in business. Greater economic empowerment of women and greater gender equality in leadership are key components of the OECD's wider gender initiative to develop policies for stronger, better and fairer growth (OECD, 2011a and 2012).

Achieving greater gender equality remains a big challenge notwithstanding the important gains that have been made in women's education and employment outcomes in recent history. Most OECD countries have achieved gender parity in education attainment, but women remain severely under-represented in key, growth-enhancing fields of education such as science, technology, engineering and mathematics. Labour markets exhibit many "gender gaps". Women are less likely to work for pay, and are more likely to have lower hourly earnings, do more unpaid housework than men and in general the gender gaps of disadvantage in the labour market are more pronounced in the Asia/Pacific region than across the OECD. Given this backdrop, it is no surprise that women's position in business leadership and entrepreneurship needs to be strengthened.

- Women remain under-represented as entrepreneurs. When asked, fewer women than men say they would prefer to be self-employed. When they do choose to become entrepreneurs, they cite better work-life balance more often than men as the main motivation for starting a business. As they frequently divide their time between working and caring women's businesses are usually on a smaller scale and in a limited range of sectors. They often have less experience when they start up a business and are also less likely than men to borrow money to finance their business. These factors contribute to women entrepreneurs frequently earning 30 to 40% less than their male counterparts. Yet female-owned businesses make a key contribution to household incomes and economic growth.

- Fostering entrepreneurship is a key policy goal for governments of all countries which share the expectation that high rates of entrepreneurial activity will bring sustained job creation and boost the development of new products, processes, and organisational innovation. Public policies to promote female entrepreneurship include: fostering a gender neutral legal framework for business, reducing administrative burdens on firms and excessive regulatory restrictions; ensuring equal access to finance for female and male entrepreneurs, and pair relevant financing schemes with support measures such as financial literacy, training, mentoring, coaching and consultancy services, and increased access to support networks, including professional advice on legal and fiscal matters.

- There is a clear need to provide more and better information about entrepreneurship as an attractive career option, both for young women in school and for women outside the labour force who are considering starting or getting back into work. Policies for female-owned enterprises should not exclusively target start-ups and small enterprises, but include instruments to stimulate high-growth firms as well as growth and development in medium-sized and larger businesses. Sometimes, such policies could be focused on a particular sector, for example, support programmes that target female-owned enterprises in high-tech sectors.

- One of the main challenges when considering how to boost female entrepreneurship is the lack of solid, reliable and timely data. Hence, the need to collect more gender-specific data in this area.

- Women are less likely to obtain decision-making positions in either public or private sectors. Despite the potential benefits that firms can derive from giving women a more prominent role, they remain under-represented in the leadership roles in the business sector in all countries: in 2013 women on average held one in seven of board seats in listed companies in Europe and the United States.

- There is increasing recognition of the business case for having more women in business and at more senior levels. The general arguments for more women on boards seem apparent and include – larger talent pool, better representation of diverse experiences and competencies that may also help to improve governance of companies, and a better understanding of consumer needs. However, findings in the literature are ambiguous and there is no conclusive evidence on the impact of more gender-balanced boards on company performance.

- There are multiple tools for helping to redress the imbalance and fostering greater boardroom diversity. Some countries, first of all Norway in 2006, have mandated quotas for gender-balanced company boards often stipulating 40% of either sex as the minimum representation threshold. Other countries have opted for voluntary measures to encourage women's participation on boards with the monitoring and publication of progress as important feature. Public target setting is one such tool, while another way forward is to work through new or existing Corporate Governance Codes (CDCs) that increasingly address board diversity. Compliance with codes is typically a requirement for listing at the stock exchange. Also, the "comply or explain" nature of voluntary codes makes it possible to accommodate both company-specific needs, including board size and composition, as well as national differences in terms of the available female director talent pool. Firms can do much themselves to empower women and a range of good practices are emerging. In practice, much will depend on the commitment of senior and middle management to driving the necessary change. Good management practices will make managers accountable for the gender balance of the company workforce thereby integrating diversity in the firm's decision making process.

Box 1. The OECD Gender Initiative

The OECD Gender Initiative launched in 2010 examined existing barriers in gender equality in Education, Employment and Entrepreneurship – three key dimensions of economic and social opportunities – with the aim to strengthen the evidence base, improve policies and promote gender equality in the economies of OECD and beyond. The available evidence, policy analysis, and actionable policy messages were presented in OECD (2012) Closing the Gender Gap: Act Now. This report was launched in December 2012, along with the OECD Gender Data Portal (www.oecd.org/gender/data) which includes a range of Education, Employment and Entrepreneurship indicators for OECD and Key Partner countries which may serve as a tool for benchmarking progress. The portal has been and will be updated annually on 8 March to mark the occasion of International Women's Day (OECD, 2014a).

Using the findings and policy recommendations in Closing the Gender Gap: Act Now as a basis, the OECD developed a Gender Recommendation which was adopted at the OECD Ministerial Council meeting on 29 May 2013 by all OECD member countries, and some non-member countries (OECD, 2013a). The Gender Recommendation sets out a number of measures that governments should consider to address gender inequalities in education, employment and entrepreneurship (Annex 1). It notably recommends that governments of member countries – through appropriate legislation, policies, monitoring and campaigning – provide equal access to education, adopt policies that close the gender pay gap, promote family-friendly policies, foster participation of fathers in unpaid work, work towards a better gender balance in leadership positions and promote entrepreneurship among women. It also recommends that OECD members and key partners contribute to achieving gender equality in developing countries by prioritising investments that promote women's economic empowerment in development co-operation programmes. The Recommendation proposes that member countries further these objectives through co-operation with all relevant stakeholders, by developing, promoting and exchanging policy principles, guidelines, and best practices, as well as by reinforcing the production of internationally comparable gender-sensitive data.

2. Women in the labour market and entrepreneurship

2.1. The leaky pipeline in employment participation

Over the past 50 years, increased education accounted for about half of economic growth across the OECD, and that had much to with more girls achieving higher levels of education and achieving greater gender equality in the number of years spent in education (OECD, 2012; and Thévenon et al., 2013). Gains in educational attainment by women have contributed to narrowing gender gaps in labour force participation, with female employment increasing in almost all OECD countries as support by for example, the expansion of the service sector, and the development of parental leave, childcare systems and flexible workplace practices (e.g. opportunities to work part-time), which help parents to match work and family commitments and remain in the labour force. By contrast, in China, with the transformation of the Chinese economy since the early mid-1990s, female employment has trended downwards, albeit from a very high level (Annex 1), also because family-friendly workplace supports such as maternity leave and childcare facilities have become less accessible (Shin et al., 2013).

Furthermore, women are likely to work part-time or in (the public) sector where employment conditions are more conducive to reconciling work and family, and are less likely to break through the glass ceiling in the private sector. Hence, gender pay gaps are considerable at 15% as measured at median earnings (Annex 2), and above 20% for high income earners (OECD, 2012). Directly comparable statistics are not available for the whole of China but with the economic transformation the gender pay gap increased sharply as the ratio of female to male monthly wages decreased from 0.84 in 1995 to 0.74 in 2007 (Shi and Song, 2011).

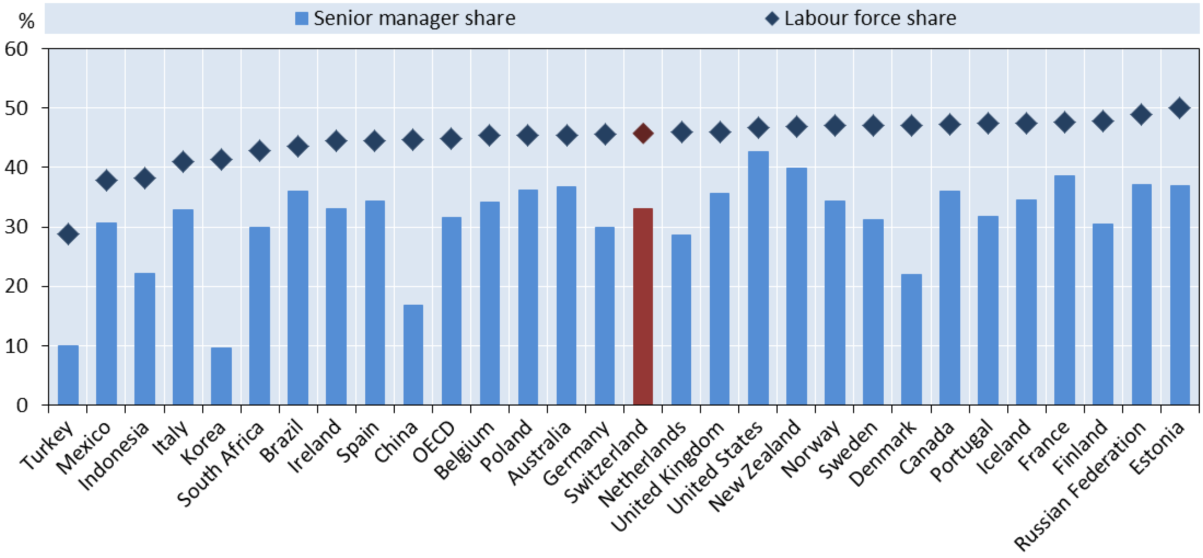
Women constitute an important part of the labour force, but they remain underrepresented in the labour force. On average across the OECD female labour force participation rates were 62.3% in 2012 and 70.3% in China, but this is below male participation rates which were 79.7% on average across the OECD and 84.3% in China. In all, women's labour force share is almost 45% across the OECD and in China (Figure 1).

Women are also underrepresented in business leadership. Figure 1 shows there is a significant gap between the participation of women in the labour force and their presence in senior management functions in OECD countries as well as China. While women across the OECD and in China make up almost 45% of the labour force, they constitute only some 30% of legislators, senior officials and managers. Despite the potential benefits that firms can derive from giving women a more prominent role (see below), they remain under-represented in the business sector in all countries.

In January 2014, it was estimated that about 24% of senior managers in mid-market business globally were women (Grant Thornton, 2014). The pace of progress towards more women in Business leadership positions varies across countries. Progress in the in the European Union was limited (European Commission, 2014a) with just below 3% of CEOs being female, and 17.8% of the board members. Progress was more significant in the United Kingdom as per January 2014 20% of all directors of Companies in the FTSE 100 were female, up from 12.5% in 2010; the proportion of executive directors was 7% up from 5.5% in 2010 (Cranfield, 2014).

Figure 1. The leaky pipeline: women are under-represented in senior management

Women's shares in the labour force and senior management,[a] selected countries, 2010[b]



Note: Countries are arranged in order of the increasing share of women in the labour force.

a) Senior managers cover Category 1 of the International Standard Classification of Occupations (ISCO), which includes legislators, senior officials and managers.

b) Senior managers data refer to 2008 for Australia, Canada, Indonesia, Korea, Mexico, New Zealand, the Russian Federation, South Africa and the United States; to 2005 for China.

Source: Women as a percentage of the labour force from *OECD Employment Database*; women as percentage of professionals and senior managers based on employment by occupation (ISCO-88) from ILO, KILM data.

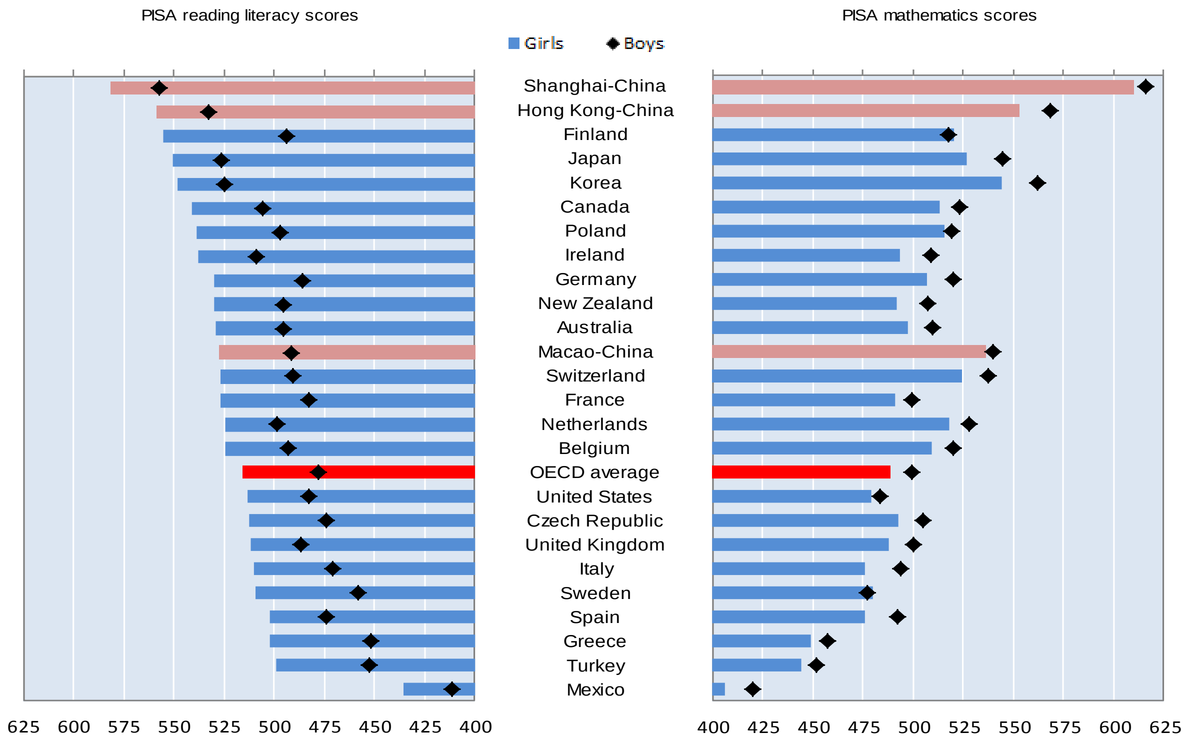
The underrepresentation of women in the workforce and in business leadership in OECD countries is also related to large differences in the fields of study chosen by young men and women. Women are more likely to obtain degrees in health and the humanities, but are underrepresented among students and graduates of degrees in the so-called STEM fields of study - Science, Technology, Engineering (Annex 2) and Mathematics (OECD, 2013b).

Graduates with degrees in STEM areas are in demand in the labour market – and are often amongst the best paid workers – and increasing the pool of women graduating in these areas can be critical to both women economic empowerment as well as the development of the economy. Innovation can benefit from a concentration of individuals with STEM skills. With an increasingly knowledge-driven (global) economy and competition in the speed of innovation governments should prioritize the development and full use of a population's available set of skills.

Preferences for a specific field of study are often shaped by personal experiences that start at a young age. Young girls are rarely encouraged to pursue maths and science, which are more likely to be presented as fields of study for boys. OECD (2008) suggests that interest in science and technology appears in primary school and remains stable until the age of 15 after which it declines. Strong skills in maths, reading and science are fundamental to high academic achievement. The 2012 OECD PISA Programme for International Student Assessment (PISA), an evaluation of competencies in reading, mathematics and science for 15/16 year-olds, suggests that on average, students in Hong-Kong, Macao and Shanghai in China, Japan, Korea, and Singapore perform better than students in many OECD countries. In general, girls excel in reading, but trail behind boys in maths, but to a much lesser extent than boys in reading.

At present, there are considerable gender differences in field of study, but these differences seem larger than what might be expected on the basis of student performance at age 15/16: attitudes play a key role in shaping education choices (OECD, 2012). It is therefore important that mathematics and science are taught in contexts that are interesting to boys and girls, and a positive attitude towards a subject is also related to positive teacher-student relations (OECD, 2010). It thus pays to have highly qualified teachers who address gender-specific attitudes within the classroom.

Figure 2. OECD PISA Programme mean competency scores in reading, mathematics and science, by gender, 2012



Source: OECD Programme for International Student Assessment (PISA) 2012 Database.

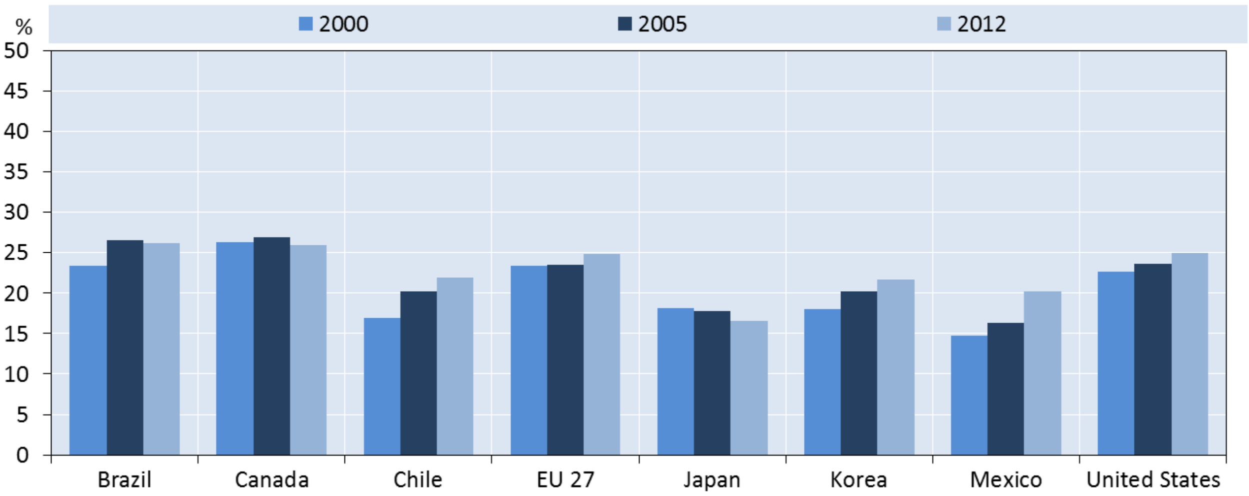
2.2. Women remain under-represented among entrepreneurs and face different obstacles than men

In the absence of reliable historical cross-nationally comparable data on entrepreneurship – which is one of the key obstacles to better understanding female entrepreneurs' challenges and associated effects on economic growth (OECD, 2014a) – self-employment statistics are commonly used to measure changes in entrepreneurial activity. They reveal considerable gender differences among the self-employed, particularly those who are also employers. Figure 3 shows that across the 27 EU countries only 25% of business owners with employees are women. The low share of women has shown limited growth in the EU-27, Canada and United States. The increase has been more marked in Chile, Korea and Mexico. By contrast, the already low share of female employers in Japan has further diminished over the past decade. Women are also less likely to be the sole proprietor of enterprises: the OECD Gender Data Portal suggests that for countries for which data are available the proportion of sole-proprietor enterprises owned by women ranges from 20 to 40% across the OECD (OECD, 2014a).

The situation of women entrepreneurs seem to have progressed at a faster pace in China, where female entrepreneurship boomed after the establishment of the new economic model in 1995. Data from the China Association of Women Entrepreneurs show that women entrepreneurs account for around 25% of all entrepreneurs, are more educated than men, optimistic about their future, and increasingly likely to seek business information from the internet and reach international markets (Shi, 2012).

Figure 3. In many countries, the proportion of female entrepreneurs[a] has not increased significantly

Share of employers (self-employed with employees) who are women, 2000-2012



Note: Data concern 2009 for Brazil; 2010 for the EU27 and Chile; 2011 for Canada and Japan and 2013 for the United States.

a) Both unincorporated and incorporated female and male employers are included (the incorporated self-employed refers to people who work for themselves in corporate entities, while the un-incorporated self-employed do not). Data for the Unites States were estimated in consultation with the BLS but still be measurement issues which may explain why the rate in the United States is lower than what might be expected.

Source: OECD's Secretariat estimates based on labour force and household surveys.

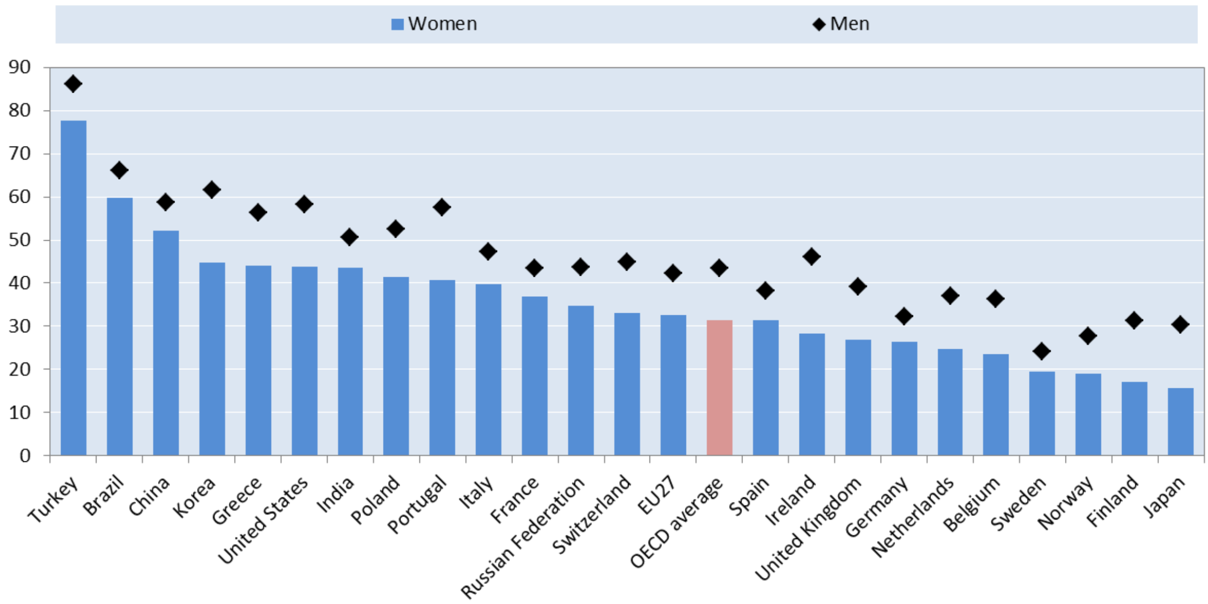
More than women, men prefer to be self-employed. The 2013 Eurobarometer survey showed that 43% of men in OECD countries, and only 31% of women, would rather be self-employed than employees if they had the choice (OECD, 2014a). Women's preferences for self-employment have been falling during the economic crisis (38% of women had a preference for self-employment in 2009). This gender gap is related to the way women and men assess their entrepreneurial capabilities. In fact, more women than men think they lack the necessary skills to become self-employed. European Commission (2013) also showed that the fear of bankruptcy (43% of respondents) is one of the largest obstacles to starting a business. A lack of available financial support and complexities with administrative processes pose difficulties when starting a business. Almost 90% of respondents in Russia and Korea cite access to finance as a key obstacle, while 78% of respondents in China refer to difficulties to obtain the necessary information as a barrier.

The motivations leading women to start a business are often different from those of men (Piacentini, 2013). Women, more than men, start their ventures for non-pecuniary reasons, such as satisfaction with their work, the possibility of making a difference in their community, or the search for a good balance between work and family life. This last motive is particularly relevant for women, as self-employment offers more flexibility to combine family and work. More women than men start a business out of "necessity", becoming entrepreneurs because they do not see other options for entering the labour market. The relatively high rates of women entrepreneurship in emerging and developing economies are primarily due to high levels of "necessity entrepreneurship" (Brush et al., 2010).

Access to credit is critical to starting a new business and to its performance. Women and men in OECD countries are likely to hold accounts with formal financial institutions, but men are more likely to receive a loan from these institutions (Annex Figure A2.1). It is often argued that women have more trouble accessing credit than men. Indeed, the evidence shows that relatively more male than female entrepreneurs make use of bank loans, with or without collateral, to start their enterprises (Eurostat, 2008). In 2007, only 6.3% of female-owned businesses in the United States had requested a loan from a financial institution to start their business, while 11.1 % of men-owned firms had (US Census, 2009 – Results of the 2012 survey are scheduled for release in 2015).

Figure 4. Men are more likely to prefer self-employment than women

Preferences for self-employment by sex: percentage of women and men declaring they would prefer to be self-employment if they were free to choose between self-employment and wage employment, selected countries, 2012



Source: Eurobarometer Survey on Entrepreneurship, http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/eurobarometer/index_en.htm.

Women also tend to raise smaller amounts of capital also when it comes to financing business expansion. Moreover, they rely more heavily on internal than on external sources of capital. The lower use of outside financing can deprive women-owned enterprises of the capital needed to innovate, develop new products and services, hire key employees, and grow.

It is important to distinguish demand-side (lower preferences for external financing and debt) and supply-side (more difficult access) explanations for the financing gap of women-led firms. On the demand-side, female owners traditionally operate in sectors at lower capital intensity and at a lower scale: this partly explains their lower propensity to seek external funding. A study by Watson, Newby and Mahuka (2009) in Australia found that women were highly concerned by the issue of "keeping control" of their business, and are thus less attracted by equity financing. Evidence from the United States shows that women are more likely to be discouraged from applying for loans for fear of rejection, though they are no more likely to be denied when they do apply (Cole and Mehran, 2009). This lower confidence is partly driven by lack of familiarity with finance and accounting practices (Coleman and Robb, 2012).

On the supply-side, a crucial question is whether the gender differences in the use of financing arise due to supply-side discrimination against female entrepreneurs. There are press reports that women are discriminated against in financial markets, being more likely to be denied loans, or to be asked for additional guarantees whilst facing higher interest rates (Financial Times, 2011). However, lending discrimination is very hard to prove, and there is only scattered evidence that it is a common practice in OECD countries. A study on Italy (Alesina et al., 2009) shows that female-owned small firms have to pay higher interest rates, and this gender difference is only partly explained by characteristics of the firms (different size, sector) or the owner (credit history). Furthermore, female entrepreneurs in Canada had to provide lenders with more documentation than male entrepreneurs (Jung, 2010).

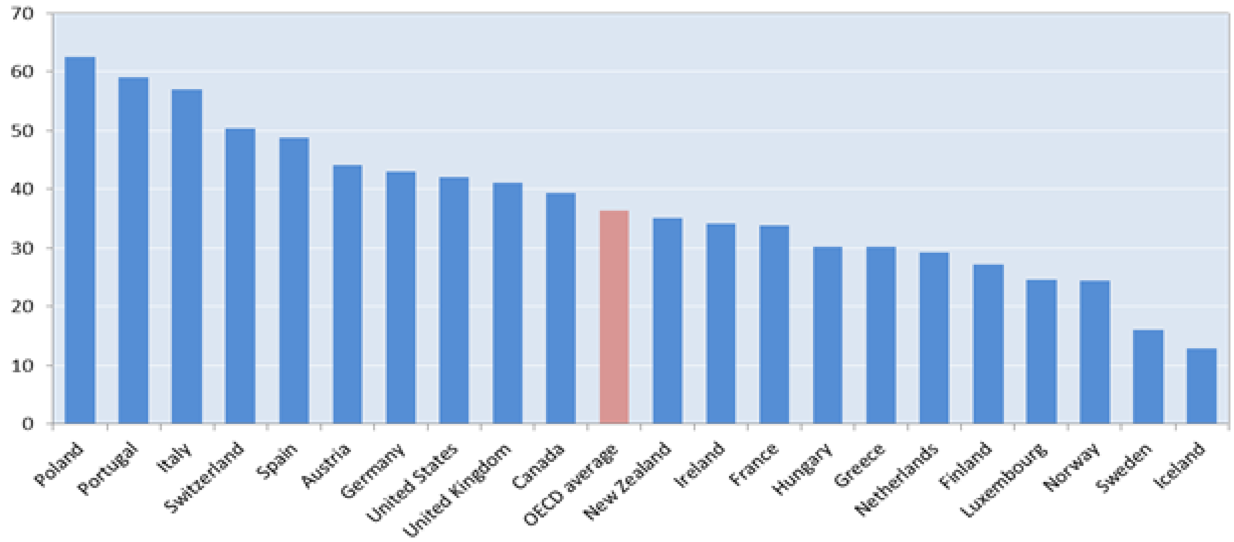
There is more evidence that women are constrained in accessing equity and venture capital because of their weak representation in key networks. Many venture capitalists and angel investors make their investment decision in partnership and on the basis of information provided by their networks (Hochberg et al., 2007) and very few women are active members of these networks. The management positions in the venture capital industry are almost entirely occupied by men. A survey of EBAN (European Business Angel Network) members showed that fewer than 5% of European business angel network members are women. Women might also be reluctant to turn to venture capital firms or "angels", fearing that they might be underrated by male investors (Coleman and Robb, 2012).

A simple explanation of why fewer women than men own a business might be that entrepreneurship does not pay for women, i.e. earnings from business ownership are too low and/or too uncertain to attract them to entrepreneurship. The size of business operations of female individual enterprises (sole-proprietorships), as measured by sales or value-added, was less than 20% of those owned by men (OECD, 2012). Figure 5 shows that self-employed women earn significantly less than men across countries. On average, earnings from self-employment are lower than earnings from wage employment, and this earning penalty is higher for women. The gaps in earnings from self-employment are substantial everywhere and wider than those observed in wage employment. In most countries, the earning gap in self-employment has not changed substantially over the last five years (Piacentini, 2013). The gap narrows, however, when calculated on the basis of earnings per hour worked, as women tend to work significantly less time on their businesses. There is also less disparity when only the self-employed with employees are considered (OECD, 2012).

The differences in the average hours worked by self-employed women and men are substantial in most OECD countries, particularly in Germany, Mexico and the Netherlands (OECD, 2012). On average, 22% of self-employed women across 30 OECD countries work less than 40 hours a week against only 10% of self-employed men. Gurley-Calvez et al. (2009) show that the time-use patterns of self-employed women in the United States differ substantially from those of men: they devote less time to work-related activities and more time to their children. While it is difficult to determine an exact causal relation between hours worked and business income, findings from analyses of earnings from self-employment suggest that enabling women to work longer hours would increase the profitability of their businesses (OECD, 2012). More than men, women value balance between business activity and family and the contribution their work can make to their communities (UNCTAD, 2011).

Figure 5: Earnings gap in self-employment,[a,b] 2014

The earnings gap is unadjusted and defined as the difference between male and female average self-employment incomes divided by the male average self-employment income



a) Self-employment income is defined as the income received, during the income reference period, by individuals as a result of their involvement in self-employment jobs. It is calculated as gross receipts minus operating expenses, and can thus take either positive values (self-employment benefits) or negative values (self-employment losses). There are still no international guidelines on the computation of self-employment income. This may affect comparability across countries.

b) Annual smoothed estimates have been computed using three-year centred moving averages of self-employment income. For the first and last year of a country series, a two-year moving average has been used.

Source: EU-SILC, American Community Survey.

3. The business case for better representation of women

To enhance women empowerment and the gender balance in leadership and entrepreneurship it is essential to make a compelling evidence-based business case. There are several reasons why businesses should be – and increasingly are – interested in enhancing the role of women in their companies and why policy makers want to release the untapped potential of women entrepreneurship. Such reasons include: a) to attract and retain the best talent; b) to better serve consumer markets, including those in which women are the main customers; c) to enhance diversity and improve overall performance in the workplace and economy; and d) to address future demographic change.

With growing competitive pressures, firms are constantly looking for the best talent. Women account for a growing share of the talent emerging from the education system, and although progress is slow, there are more women with science degrees than before. Firms risk losing out if they do not leverage this talent pool. With rapid ageing in OECD countries and beyond, the search for talent is of growing importance to many businesses, and giving women a greater role is increasingly seen as part of the solution (Box 2). Firms that are not able to address gender equality in the workplace also risk not being seen as attractive career prospects by the next generation of talent. Drawing on new, improved talent pools can also be good for economic growth: Hsieh et al. (2013) suggest that between 17 and 20% of US economic growth between 1960 and 2008 can be attributed to the greater intake of under-represented groups in the workforce, notably women.

Box 2. Female labour force participation and demographic change

In order to achieve stronger, sustainable and inclusive growth, greater gender equality in labour force participation can act as a key instrument by focusing on boosting labour force participation and/or mitigating its decline and, in that manner, provide added impetus to trend growth. There is scope in most countries to increase female employment and labour force participation, while several countries are also facing the prospect of shrinking labour forces over the next 20 years due to population ageing and low fertility rates, which further underpins the economic case for greater gender equality in the labour market.

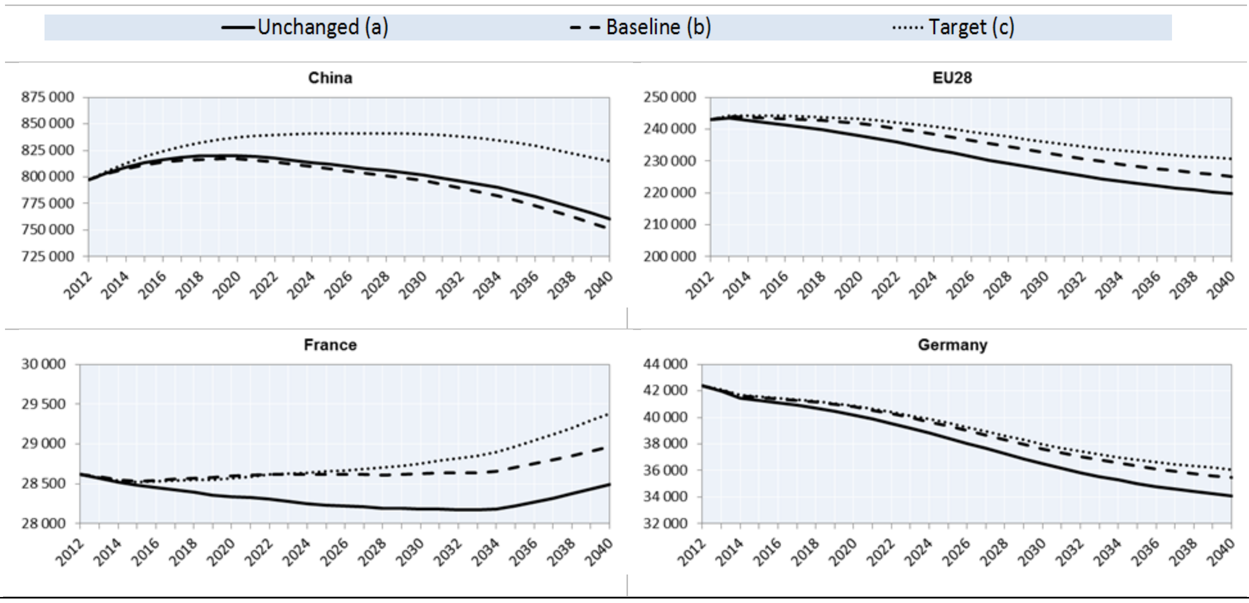
Looking ahead demographic projections show that – if male and female labour participation rates remain at current levels – labour force will decrease by close to 10% in Germany, Japan, and the Russian Federation by 2025 – with further declines until 2040, also in China, the European Union and Korea (see the "Unchanged scenario" in the figure below).

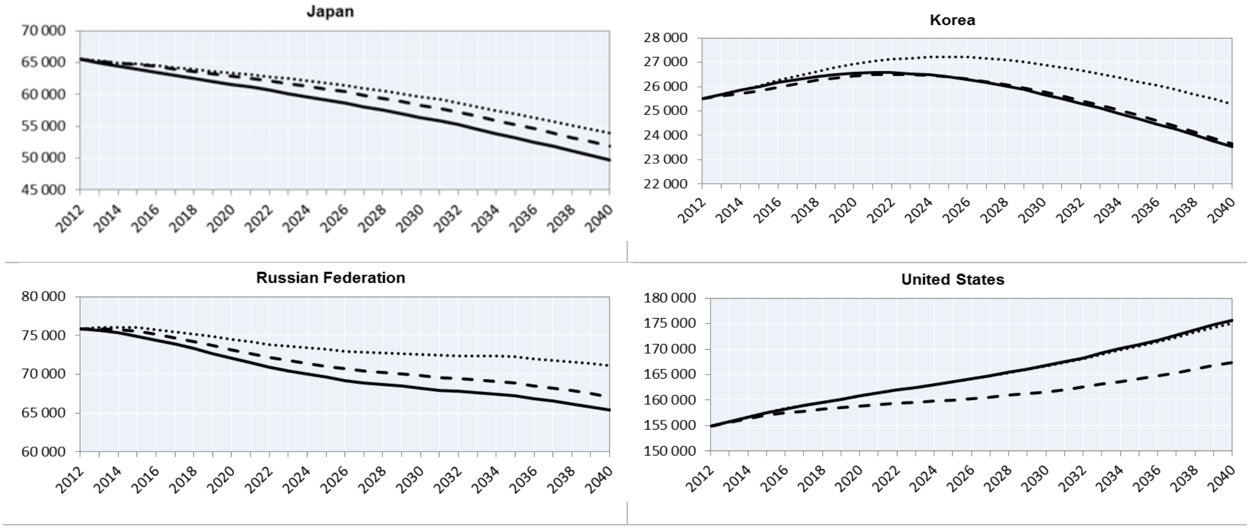
The baseline scenario involves that recent increases in female labour force participation for younger cohorts are projected to increase the participation rate for women aged 15-64 in many countries, but its effect on the overall labour force size is rather modest, except for in Japan (see figure below) The decline in female labour force participation since the early 2000s in China feeds into baseline scenario projecting a labour force of a smaller size for China than when participation rates were held constant at their 2012 levels ("unchanged" scenario).

The target scenario assumes that economies will be able to achieve a 25% reduction in the gender gap in participation rates for each country by 2025 and 50% by 2040 compared with the baseline scenario. This scenario would have a significant effect on the size of the labour force in many countries. Germany, Japan and Korea would need to achieve close to gender parity in labour force participation to avoid the looming decline of their labour force (OECD, 2012).

Effect on the labour force size of a reduction in the gender gap in participation rates of 25% by 2025 and 50% by 2040

Projected number of persons aged 15-64 in the labour force, thousands, 2012-2040





The labour force projections are based on population projections for persons aged 15-64 years, by five-year age group.

a) Unchanged: Participation rates by gender and for each 5-year age group are held constant over the period 2013-2040 at their 2012 values; changes in labour force size are driven by changes in working-age population size alone.

b) Baseline: Participation rates are projected by gender and for each 5-year age group by assuming that labour force entry and exit rates remain constant at their average value over the period 2003-2012 (2005-2010 for China). For Italy and Saudi Arabia, participation rates for women were modelled as a logistic function of participation rates for men for each corresponding 5-year age-group based on observed relationship over the period 1997-2012.

c) Target: The gender gap for each five-year age group in 2025 is assumed to be 25% lower than its value in 2012 and 50% lower in 2040. All other estimates for the female participation rate are obtained by linear interpolation. Where the projected reduction in the gender gap in the baseline scenario is already greater than the targeted reduction, the baseline projected labour force is taken instead.

Source: OECD calculations based on the *OECD Population and Demography Database* and the *OECD Employment Database.*

Attracting the best talent is not the only reason why many firms are actively engaged in gender initiatives. Initiatives to strike a better balance between work and family life, for example, may also reduce stress, sickness and absenteeism, and reduce incentives to look for work elsewhere, thus increasing staff retention. A review of the literature (Beauregard and Henry, 2009) finds that the introduction of work-life balance practices does not necessarily resolve potential conflicts between work and life. It does, though, point to the benefits of such practices for company performance, which include improved perceptions, recruitment and retention of staff.

A greater role for women also enhances diversity, which can be valuable for a firm's performance in an increasingly complex world, enabling it to draw on diverse perspectives to solve problems, take decisions, and enhance leadership. This is important both at board level and other levels of decision making. More women in leadership positions can have a positive trickle-down effect, easing in more inclusive workplace cultures and providing younger women with role models and mentors.

Women also account for a large share of the global consumer market and purchasing decisions in households. Companies – in particular those serving consumer markets – may therefore seek out women to better understand buying patterns and help develop and market products aimed at them. Firms may also look for other non-financial benefits, such as an improved image or strong female role models that can indirectly contribute to company strategies.

3.1. Firms advancing women's empowerment

There are several factors and policies that contribute to women not making it to the top in greater numbers. The biggest barriers are general norms and cultural practices within countries, corporate culture, and the lack of role models (WEF, 2010). But other factors such as a lack of work/life balance opportunities (including parental leave, return to work opportunities after childbirth, or affordable quality childcare options), critical work experience, a lack of company commitment to diversity or absence of target–setting, the lack of networks and mentoring opportunities also play an important role.

Many firms are currently actively engaged in efforts to strengthen the role of women and fix the leaky pipeline, which suggests that they find that the benefits outweigh any costs (AmCham/Biac, 2012; McKinsey & Company, 2011, 2012; and, for an overview, see MWA, 2014). The business literature suggests that these objectives are more often pursued by firms which already have relatively high numbers of female managers and are often driven by strong commitment from the CEO and senior management. Through setting targets and measuring performance, whether on a voluntary or mandatory basis (see below) companies make managers accountable. This helps focus the minds of middle and senior managers and enables gender initiatives to become an integral part of the firm's decision making.

Many companies also focus on changing human resources practices in recruitment, promotion, remuneration, flexible work, mobility, and re-entry in order to remove potential biases against women. Such action can involve training recruiters and managers in the importance of diversity, and improving the female focus of recruitment campaigns or quotas in lists of top management candidates. Companies may also introduce family-friendly workplace supports to attract and retain staff, and reduce turnover. Evidence on the direct financial benefits of such policies is scarce (OECD, 2007; and Bloom et al., 2009, 2010), but neither do they hurt financial performance and may deliver other positive results, such as make the firm a more attractive place to work for staff at all levels.

AmCham/BIAC (2012) illustrates the business case for advancing women's economic empowerment, and develops a toolkit for advancing women in business that drew on the best practices collected from their member companies (e.g. Bloom et al., 2011). The key elements of the toolkit include:

- Set the tone: top management leadership and commitment. Evidence from practice shows that top corporate leadership commitment is critical but that action and support is also needed at all levels of management. BIAC/Deloitte (2014), suggests that CEO's senior managers, and Managers are the three most important influencers on gender change within a corporations ion, while clients more so than governments also positively affect gender change within corporations.

- Gender as core to the business strategy: measurement and accountability. Diversity and inclusion should be integrated into business strategy with clear, measurable targets set. Monitoring key performance indicators help to enforce accountability and highlight progress.

- Provide the enabling framework: human resource and operational policies. Recruitment and development processes should be continually evaluated and adjusted as needed to avoid subtle biases against women. This includes policies on pay and promotion.

- Provide a robust and relevant support system for women executives. Education, leadership training, and skills development, in areas such as science, technology, engineering and math (STEM) are important for developing female executive talent.

- Change mind-sets and organisation culture: change management and communication. Perceptions and stereotypes of the roles of men and women can create barriers within the corporate culture. Effective communication programmes are needed to change cultural biases.

- Address the broader social context. Cultural and societal traditions can create barriers for women's empowerment. Business can support policies, within and outside their companies, to help address relevant issues.

Other corporate initiatives include coaching and mentoring for women from senior mentors. The latter point is important in the light of research from the United States: it suggests that mentors for men are often more senior than women's, which may help explain why more men make it to the top (Catalyst, 2011). In addition, it is particularly important to foster networking between women in order to improve access to resources and information. Lalanne and Seabright (2011) also stress the role of social networks and the job-related benefits they yield (this is also important to female entrepreneurship, see below).

The Goldman Sachs initiative, "10 000 Women" is an example in itself as it seeks to provide underserved female entrepreneurs with business and management education in developing and emerging markets.

3.2. Policies for better performing female-owned enterprises

Policy makers wishing to strengthen the economic impact of women entrepreneurship need a better understanding of the factors contributing to the growth and success of female-owned firms. Several studies have shown that traditional performance measures, such as growth and profits, are not always the top priority for women entrepreneurs (e.g. Coleman and Robb, 2012). A key issue for policy is whether the relatively low levels of turnover among female-owned businesses are due only to women's preferences for particular sectors (and, possibly, for small-sized businesses), or are a consequence of the constraints women specifically face when starting and growing their companies. There is no definite answer to this question in the literature. While most studies find that female-controlled enterprises fare worse in terms of profits and other performance measures (Robb and Watson, 2009), several analysts argue that these differences vanish once sectors of activities and key characteristics of the business owners other than gender are controlled for (Fairlie and Robb, 2009; Gatewood et al., 2009; Gottschalk and Niefert, 2011). The results confirm that the policy debate should focus not only on how to increase the number of female-owned enterprises, but also on how to tackle the possible market or institutional failures inhibiting those already in the market from growing their firms into medium and large enterprises.

Policies that foster female entrepreneurship often come under the general umbrella of programmes for small enterprises. However, they are likely to impact relatively strongly on women entrepreneurs, since most run small businesses. A mix of general policies for SMEs and instruments explicitly targeting women can be effective in prompting interest and entry into entrepreneurship. The Small Business Administration (SBA) in the United States has explicitly explored a mix of general gender-mainstreamed programmes and women-specific policies and has continuously experimented with new ones, and the Korean Government has modelled its policy on the United States example (Box 3).

Several initiatives have been taken at the European Union level. In 2008 the European Commission adopted a Regulation which extends the granting of state aid to new enterprises created by women. In 2009, the Commission inaugurated the European Network of Female Entrepreneurship Ambassadors, to serve as inspirational role models for potential women entrepreneurs and in 2011 by the European Network of Mentors for Women Entrepreneurs and by the European Network to Promote Women's Entrepreneurship (WES). In September 2011, the European Parliament adopted a resolution on women's entrepreneurship in small and medium-sized enterprises (SME) which acknowledges that "promoting women's entrepreneurship is a long-term process that requires time to change structures and attitudes in society" and provides a series of recommendations to the European Commission, Member States and regional and local authorities in the areas of access to financial and educational support, on traditional business networking opportunities and on information and communication technologies. In addition to change in these areas, the European Union also highlights issues around social protection for entrepreneurs and development of further research into the role gender equality in entrepreneurship plays in reducing social exclusion and providing new development opportunities for their communities (i.e. social entrepreneurship). The European Institute for Gender Equality is also fostering the exchange of Good Practices in European Entrepreneurships through a series of meetings and reports (EIGE, 2014).

Women's entrepreneurship policies should not, however, be conceived simply as a subset of policies for start-ups and very small firms. The assumption that female business owners want to stay small is misleading for policy. There is a substantial pool of women who are eagerly pursuing growth strategies for their companies (Gatewood et al., 2009). A stronger focus should be placed on instruments that can help female businesses realise their aspirations for growth. For example, Irelands' Going for Growth Initiative where entrepreneurs meet in small groups once per month for 6 months under the "leadership" of a successful female entrepreneur to exchange experiences and develop business plans (OECD, 2013c). Other examples of growth-focused initiatives for female-owned enterprises of all sizes would be: tax credit schemes for capital investments in SMEs; favourable lending ceilings and public credit guarantees; and rules ensuring that small, female-owned firms have access to public procurement (fr Korea and the United States, see Box 3).

To qualify for support from such programmes and prevent abuse, companies must first meet criteria that clearly define them as "female-owned enterprises" Certification of women-owned businesses is a consolidated practice in the United States, but much less widespread in other countries.

Box 3. Supporting female entrepreneurship in Korea and the United States

Government policy can play an important role in encouraging female entrepreneurship. The United States government has actively promoted female entrepreneurship since the 1970s, when the federal Office of Women's Business Ownership (OWBO) was established within the US Small Business Administration (SBA). The purpose of the OWBO is to foster the participation of female entrepreneurs in the economy, particularly among women who are economically or socially disadvantaged, and promote several initiatives to this end (www.sba.gov/about-offices-content/1/2895). More recently the Small and Medium Business Administration (SMBA) within the Korean Government (www.smba.go.kr) has also started to develop initiatives (some were introduced in 2014) to promote female entrepreneurship which are not dissimilar in nature to US policies. Policy measures include:

- *Public procurement and simplified procedures*: "Women-Owned Small Business (WOSB) Federal Contract Program": Five percent of US federal contracts are designated to go to eligible women-owned small businesses, with the explicit goal of increasing women's entry into male-dominated sectors. The WOSB helps women entrepreneurs compete in public procurement. Since January 2014 in Korea, it is mandatory for public institutions to purchase 5% of products or services from female entrepreneurs in order provide them opportunities to expand their market share. In addition, the Korean authorities have simplified contract procedures for public authorities when establishing contracts with women entrepreneurs up to a limit of 50 million won (about USD 50 000) – this is 20 million won for other entrepreneurs. This practice was introduced in December 2013 for central government authorities; relevant legislation for local government is under development.
- *Business/Enterprise centres and local offices*: The SBA operates throughout the United States and has local offices that support female business development. There is also the "Women's Business Center (WBC) Program" with WBCs forming a national network of about 100 local educational centres focused on entrepreneurship throughout the country. Women face unique problems in starting new businesses, such as fewer mentors and less access to start-up capital. Consequently, this programme's goal is to educate women so that they can compete fairly with male-owned businesses. The OWBO works with local non-profit organisations to provide training, counselling, and mentoring. In 2013, the OWBO budgeted USD 2.6 million

in grants to support the 110 non-profits that supported the program (SBA, 2012), and they counselled and trained 133 756 clients across the country (SBA, 2014). Similarly, in Korea since 2007, 16 regional Women Enterprise Supporting Centres have been built to strengthen women's entrepreneurial capacity, including support in preparations for starting new businesses, provision of advice and mentoring (www.wesc.or.kr/). In 2013, the centres served 1 041 women start-ups, organised workshops for entrepreneurs and assisted students with credit education programme and a short business management programme (2-3 months).

Box 3. Supporting female entrepreneurship in Korea and the United States *(cont.)*

- *Financial Resources*. The SBA administers several loan programmes which help women access the credit and capital needed to start small businesses. In 2009, the SBA backed nearly 10 000 loans to female entrepreneurs, totalling about USD 2 billion. In Korea, the SMBA will designate a private financial company to manage a "special fund for women entrepreneurs" worth around 10 billion Won (about USD 9.8 million) to be established in 2014 for a period of eight years so as to provide financial support for women entrepreneurs who face difficulty in accessing credit.
- *Advisory councils*. The United States also has a non-partisan federal advisory council, the National Women's Business Council (NWBC), which advises the president, Congress, and the SBA. The NWBC is largely comprised of female business owners. It conducts research and shares results in order to promote female entrepreneurship (.www.nwbc.gov) In Korea, there is a "Committee of Promotion of Balanced Growth" within the SMBA to consider and advice on measures to support and strengthen competitiveness of women entrepreneurs. Members include government officials, female CEOs and experts of non-profit credit guarantee institutions.

Although the OWBO programmes are pro-active and aimed at helping female business owners, rigorous evaluations and good data are needed to evaluate programmes' cost-effectiveness, their results, and the constraints facing women entrepreneurs. The NWBC finds that the WOSB Federal Contract Program is underutilised, and that the success of female-owned businesses varies across federal agencies; the Department of Defence, for instance, awards a very low share of contracts to women-owned businesses (NWBC, 2013). The SBA found that, in 2011, the federal government awarded USD 16.8 billion (3.98%) of federal contracts to companies owned by women, missing its 5% goal for women-owned businesses (the NWBC attributes this missed target to dollar thresholds that limit the types of contracts for which women can apply).

The OWBO points to success in its WBC programme, stating that businesses receiving WBC assistance have higher survival rates than programs that did not receive similar support. However, it is difficult to gauge effectiveness in view of self-selection issues: i.e. when the business owners who decide to participate in public programmes fundamentally differ from business owners who opt out of such programmes. For instance, participants may be more ambitious or have more education than women who do not seek out such support. A good way to evaluate whether an entrepreneurship programme works is through a randomised control trial experiment, in which administrators randomly assign programme applicants into treatment and control groups. This process would allow evaluators to determine the effects of a programme without allowing pre-existing traits to drive results. There are many outcomes that merit evaluation. These outcomes can include the survival of new businesses, women's access to start-up financing, rates of hiring in female-owned businesses, and business size and profits (US Department of Commerce, 2010).

Public policy can improve the financing prospects of women-owned firms by increasing the scale and reach of public interventions aimed at improving conditions of small and medium firms' access to bank credit, improving women's access to equity and venture financing, and preventing discrimination in lending markets.

Subsidised loans and loan guarantees are the most common instruments used to support small and new businesses. Governments in OECD countries have put in place "credit mediators" to ease the flow of credit to SMEs or have enacted binding codes of conduct for SME lending (OECD, 2009). In the United States, there are low-interest loan programmes that help individuals obtain start-up financing (Box 3), while non-profit and local organisations are also active in this area. In France, the *Fonds de Garantie à l'Inititative des Femmes* (FGIF) guarantees 70% of bank loans taken by women for establishing or developing an enterprise (up to EUR 27 000 of guarantee for each borrower). In Turkey, KOSGEB (Republic of Turkey Small and Medium Enterprise Development Organization) has provided financial support to over 1 000 women entrepreneur each year since 2009. The programme run by KOSGEB applies a positive discrimination, providing higher amounts of grants (10% more) to women who wish to start up their business.

In all, national and regional business support centres should rely on best practices to bolster the self-confidence of women entrepreneurs in their dealings with credit institutions. Training programmes should be in place to help female entrepreneurs build the skills they need to better design and present their financing plans and be more successful in raising the funds they need to grow. Overall, policies seem to be particularly effective when financing instruments are supplemented with other services, such as training and consultancy (Box 3), to address the additional challenges typically met by female entrepreneurs.

Women can especially benefit from participating in structured courses where they learn how to liaise with informal investors and successfully present their investment projects. One relevant example is the training package developed by the "European Ready for Equity!" project which targets both entrepreneurs and angel investors (Piacentini, 2013). Simplified regulations for accessing public equity can also help women-owned firms raise capital for growth. Having more women in the angel investment and venture capital community would pay off – not only because they would widen the range of skills and expertise in the investment community, but because more doors would open for women entrepreneurs, particularly those in high-growth firms.

Improving the quality and coverage of public and private credit registries can reduce the scope for discriminatory practices against female borrowers. Banks and public support policies should ensure tight supervision to prevent any discrimination. In this regard, the Consumer Financial Protection Agency (CFPA) in the United States collects data on small business credit availability by gender, race, and ethnicity and enforces lending laws to ensure that loans are granted fairly to small business owners.

3.3. Public policies to enhance the role of women in business leadership

While individual firms may make it their own responsibility to enhance the role of women in business, governments may want to play an active role in supporting their efforts in light of the broader social and economic benefits that can flow from women's empowerment. Governments can strengthen the policy framework for supporting business by making changes in education, employment and social policies. Such moves help firms change corporate practices in their own contexts and widen the female and male talent pool.

The OECD Gender Recommendation provides a policy framework for the strengthening of gender equality in Education, Employment and Entrepreneurship (Annex 1 and OECD, 2013a). It recognises that gender stereotyping starts early and affects life choices. It is therefore important that policy raises awareness among young men and women, parents, teachers and employers about gender-stereotypical attitudes towards academic performances and the likely consequences of overall educational choices for employment and entrepreneurship opportunities, career progression and earnings.

In this context education policy should review and where necessary adapt school and early childhood education curricula, teaching and school practices to eliminate gender discrimination and stereotyping. Education policy should also make the study of science, technology, engineering, mathematics (STEM) financial and entrepreneurship issues, as well as education, arts and the humanities, equally inclusive and attractive for both boys and girls. Promising, frequently high-tech related, business opportunities are often in STEM-related areas. For example, in Germany, during the annual national events "Girls' Day" and "Boys' Day", girls and boys in grade 5 and above are invited to discover career pathways and opportunities of jobs usually perceived as atypical for their sex. They can experience a one-day work in companies, universities or other institutions specialised in fields such as technology, engineering, science or trade for example for girls, and in the sector of education, social affairs or health-care for boys. In the United States, the National Science Foundation (NSF) Career-Life Balance Initiative aims to eliminate some of the barriers to women's advancement and retention in STEM careers, for example by allowing recipients of NSF grants who take a leave of absence for dependent care responsibilities to delay or suspend their grants for up to one year and to use NSF funds to replace project personnel during a leave of absence.

Public family-friendly policies are also important. For example, social policy in Nordic countries aims to provide a continuum of supports to its citizens, and over the years have developed a comprehensive system of maternity, paternity and parental leaves, widely accessible day-care and pre-school services as well as out-of-school hours care services for children in primary school (OECD, 2011b and 2012). The system gives (prospective) mothers and fathers the idea that being in work is compatible with having children, and that parenthood does not mean the end of a career. This does not solve gender equality issues in labour market outcomes, but it changes the parameters. Female employment rates in Nordic countries are high, but as long as mothers rather than fathers make use of leave arrangements and/or reduce working hours, gender equality will persist. In response, policy has moved to promotes use of leave arrangements by fathers through the introduction and extension of parental leave periods reserved for the exclusive use by fathers. For example, in Iceland, fathers are entitled to three months of paid leave at 75% of earnings up to a threshold. Since the introduction of these "daddy months" in 2001, take-up by fathers has increased tenfold. Iceland will continue with reform, as it is in the process of gradually increasing the period of fathers' leave from three months in 2013 to five months in 2016 (Adema, 2014).

Employment policy in a wider sense has a key role to play. This ranges from issues around fathers and mothers having broadly equal financial incentives to work, to employment support policies as apprenticeship and counselling, but also where necessary strengthening the legal framework and enforcing anti-discrimination legislation and ensure, for example through pay transparency, that the principle of equal pay for equal work or for work of equal value is respected in collective bargaining and/or labour law and practice. Policy implementation also needs to effectively deal (including through an effective labour inspectorate and labour law recourse system) with discrimination in pay, recruitment, training and promotion.

Influencing formal and, in particular, informal corporate practices is more difficult. However, governments can play a role in addressing cultural barriers and the stereotyping of women in society and business by collaborating with business, NGOs, academia and the media on awareness campaigns. Such efforts may include reports or indices with metrics about women in business which could, in turn, help both to raise awareness and measure progress within and between countries. Similar initiatives could be to disseminate profiles through the media, schools and communities of successful business women, so helping to change public perceptions and create role models for young women. In addition, and along the lines of Catalyst Awards in the United States, governments can support awards for women in business, in traditionally male-dominated fields such as science and technology, and/or for companies with policies to promote women.

In addition to business, government can lead by example through enhancing the role of women at senior levels within the public sector, semi-public agencies and enterprises that are fully or partially state-owned. OECD governments recognize that diversity in the public service, including gender diversity helps to achieve fairness transparency, impartiality and representativeness and improves service delivery through a better understanding of citizens: on average in OECD countries women occupy over 50% of central government jobs, but only 29% of top managements positions (OECD, 2014c). Barriers to a greater presence of women in leadership positions in the public sector include work/life balance issues and parenting-related career breaks, but also appointment systems that do not included target setting, provide little developmental opportunities and rely on informal networks where women are under-represented. Policy responses include raising awareness within the public sector, target setting, transparency in recruitment process, and family-friendly workplace measures. Coaching and leadership development are the most commonly used measures in the public service to foster career progression (OECD, 2014c).

3.3.1. Women on boards: improving the gender balance in companies

The issue of gender diversity on boards of listed companies has played a major role in the gender debate in recent years. Women today generally play a more important role in the boardroom than in the past, but progress is uneven across countries. Since October 2010 increases in the proportion of boards seats held by women has been larger than 10 percentage points in France, Slovenia, Italy and the Netherlands (European Commission, 2014a), but in the European Union on average only 17.8% of boards members were women in October 2013, and only in five countries (Finland, France, Latvia, Sweden and the Netherlands) was this share larger than 25%. In the United States, women held 16.9% of board seats in 2013. In Norway, the proportion of women on boards in listed companies was highest at close to 40% as prompted by the introduction of quota legislation in 2006.

Improving the gender balance at the top of companies is seen as one way of fostering wider gender equality within firms. But policy approaches across countries differ in the way this objective is pursued either by promoting self-regulatory corporate governance codes and other soft measures or imposing board quotas by law.

Corporate governance codes (CGC) are self-regulatory measures increasingly used to promote gender-balanced company boards. CGCs typically apply to listed companies and rely on peer pressure to influence companies from within and pressure from stakeholders, including shareholders, and the media from outside. Non-compliance does not usually result in a penalty but it does require an explanation. Reference to gender in CGCs as for example in Australia and the United Kingdom is deemed to have some influence on the composition of boards in listed companies.

The Australian Stock Exchange CGC requires, since January 2011, that companies set measurable objectives for the increased representation of women on boards, amongst executives and throughout the organisation. They are also required to address pay equity, and to report publicly against their targets on a "comply or explain" basis. These changes brought about an immediate change at board level. The percentage of women on boards was 8.3% in July 2010, 10.9% in March 2011 and 13.4% in December 2011 and 18.2% in May 2014. Women have comprised 31% of new appointments to ASX 200 boards by 28 May 2014 (Australian Institute of Company Directors, 2014). Similar results were achieved in the United Kingdom after the "Davies Report", a government-commissioned report released in early 2011, asked the top 100 UK companies (known as the FTSE 100) to aim for a minimum of 25% female representation by December 2015. In December 2013 this proportion was 20.7% up from 12.5% in 2011 (Cranfield, 2014).

Regulatory alternatives similar to CGC are disclosure requirements, such as those recently adopted in the United State. The US Securities and Exchange Commission (SEC) now requires companies to disclose whether and how the nominating committee "considers diversity in identifying nominees" for director (GMI, 2011).

Denmark announced in May 2012 legislative changes to strike a balance between the need for real progress in increasing the share of women on boards and flexibility for companies. First, the 100 largest companies are required to set a target for the proportion of the under-represented gender on the board, which needs to be realistic and ambitious. Second, these companies must have a policy – which must be presented in the company's annual report – for increasing the proportion of the under-represented gender at the management level of the companies. Third, companies must report on the status of fulfilling the target set out in the annual report, and explain, if so, why the companies failed to achieve the target set. Fines can be applied to companies that fail to report (http://miliki.dk/fileadmin/ligestilling/PDF/PHplan/Facts_The_Danish_model_on_women_in_management.doc.pdf).

Mandatory legal quotas have been introduced in some countries. Thus far, the issue has received most attention in Europe, where gender board quotas for publicly listed companies have been established in Belgium, France, Iceland, Italy, the Netherlands, Norway and Spain. Even the expectation of quota enforcement can be a compelling incentive to Change: Prior to final enactment of the law in France, percentages of women on boards rose from 8.4% in March 2009 to 12.7% in March 2011, to 16.0% by January 2012 and 30% in October 2013 (European Commission, 2014a). Noting the slow pace of change in most EU-countries, the European Commission put forward a proposal for a Directive including the objective of 40% of each sex amongst non-executive directors by 2002. The European Parliament voted to back the prosed Directive on 20 November 2013, which is currently under discussion by the Council of the European Union (European Commission, 2014a).

In Norway with the introduction of mandatory quota, the proportion of women on boards increased from 9% in 2003 to almost 40% five years late. This rapid increase was supported by a receptive national policy environment in a country that boasts one of the highest female employment rates in the OECD and a comprehensive set of work-life balance policies that support both fathers and mothers in employment. There are strict penalties for non-compliance with the quota in Norway: companies that do not meet the target can be de-listed. The economic consequences of introducing the mandatory quota are yet to become clear. Moreover, it takes the Norwegian experience shows that introducing quota legislation may affect board membership, but does not immediately change the number of women in top management positions, while the law also had some unintended consequences: some companies changed their legal status with the aim to either prevent or choose not to comply with the new legislation (European Commission, 2011).

The effects of gender diversity on boards can be considered in terms of how it impacts on companies' governance and performance. According to the OECD Principles of Corporate Governance (OECD, 2004), corporate governance is a set of relationships between a company's management, its board, its shareholders and other stakeholders. The board of a company is entrusted by shareholders with key tasks, such as guiding corporate strategy, monitoring management performance, achieving an adequate return for shareholders, while preventing conflicts of interest and balancing competing demands on the corporation.

- ***Governance.*** More gender-diverse boards can contribute to better corporate governance for a multitude of reasons. A heterogeneous board can be a stronger monitor of executive behaviour (Adams and Funk, 2010; Nielsen and Huse, 2010). Since women are generally under-represented in "old boys' networks", more female directors might bring more independent views into the boardroom and strengthen its monitoring function (Rhode and Packel, 2010). Moreover, gender-diverse boards tend to have a wider range of backgrounds, experiences, perspectives, and problem-solving skills. They can be passed on to top managers and potentially improve a firm's governance (Terjesen et al., 2009). Adams and Ferreira (2009) suggest that more diverse boards are more likely to hold CEOs accountable for poor stock prices and encourage better attendance at board meetings. McKinsey & Company (2010) find that women are more likely than men to use leadership skills, such as employee development, rewards, role models, inspiration, and participative decision making. Brown et al. (2002) suggest that when there are more women on boards there is closer scrutiny of the handling of conflicts of interest.

- ***Performance.*** The economic argument for bringing more women into the boardroom is based on the proposition that firms which fail to select the most competent candidates for their boards impair their financial performance. Catalyst (2008), Credit Suisse research Institute (2012) Chanavat and Ramsden (2013), and McKinsey & Company (2007, 2010) assert that better-performing firms tend to have more women on their boards. However, this does not prove causality: it cannot be said that more gender-diverse boards generate better firm performance (Terjesen et al., 2009; Coles et al., 2008; Linck et al., 2008). It may well be that firms with better performance are more likely to seek women (Farrell and Hersch, 2005). Moreover, the effects of more balanced boards may vary across companies: some benefit from more diversity, others may not (Adams and Ferreira, 2009). Dezso and Ross (2012), covering the enterprises included in Standard and Poor's 1500 Composite Index for the period 1992-2006, found that female representation in top management does improve firm performance – but only insofar as its business strategy focuses on innovation.

Taking a sample of Fortune 1 000 companies and controlling for various characteristics – including firm and board size, industry, share of inside board members and others – Carter et al. (2003) found a positive relationship between the presence of women on boards and Tobin's Q (i.e. the ratio between the market value of a firm divided by the replacement cost of its assets). The positive link between female board presence and return on equity is confirmed by Lückerath-Rovers (2011) in their studies of Dutch firms. Smith et al. (2006) also document the beneficial effects on various company performance measures. Other country-specific studies have found positive stock market reactions to the appointments of women (Campbell and Minguez-Vera, 2009) and higher volatility in the stock returns of firms with lower proportions of women directors (Adams and Ferreira, 2009). Faccio et al. (2014) also find firms run by female CEOs have less volatile earnings and that such firms take investment choices that are less risky. Levi et al. (2013) suggest that companies run by female CEOs are less likely to overestimate potential gains from mergers and acquisitions and are therefore less likely to involved in these or pay a lower price in case of acquisition. Women in the banking sector, however, seem to take as much risk as their male peers in financing (Adams and Ragunathan, 2013). However, there are probably at least as many studies that find no – or negative – relationships between women on the board and financial performance (Ahern and Dittmar, 2010; Böhren and Ström, 2005; Rose, 2007; Lee and James, 2007; Marinova et al., 2010; Randøy et al., 2006).

The ambiguous empirical evidence may be partly explained by differences in study design and the type of data used – e.g. different country and institutional settings; samples (type of firms or periods of study); definitions of gender diversity (proportion or presence of female directors); accounting or market measures of performance; and methodologies. There is much room for improving analysis through greater sensitivity to the possible influences of the institutional context, of unobservable heterogeneity, of reverse causality, and of other factors that might influence a firm's performance and directors' characteristics (Ahern and Dittmar, 2010; Grosvold and Brammer, 2011).

Women are even more under-represented among executive directors who sit on boards of publicly-traded companies. Adams and Kirchmaier (2012) analyse the board composition of publicly traded companies in 21 OECD countries and India and find that in 2010 on average women accounted for 11% of non-executive directors but only 5% of executive directors in company boards.

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ANNEX 1.
THE OECD GENDER RECOMMENDATION AND ILO CONVENTIONS AND RECOMMENDATIONS ON GENDER EQUALITY

Recommendation of the OECD Ministerial Council on Gender Equality in Education, Employment and Entrepreneurship

The OECD Gender Recommendation includes a set of policy principles endorsed by OECD countries and a number of key emerging economies. The gender recommendation was adopted by the OECD Council meeting at Ministerial level on 29 May 2013 after a year of negotiations involving 11 thematic Committees of the OECD and the social partners (ITUC and IOE).

The OECD Gender recommendation is consistent with the ILO core labour standards and other relevant conventions, such as the ILO Equal Remuneration Convention (No. 100), ILO Discrimination (Employment and Occupation) Convention (No. 111), ILO Workers with Family Responsibilities Convention (No. 156), the ILO Maternity Protection Convention (No. 83) and the ILO Domestic Workers Convention (No. 189). These conventions provide globally agreed standards in gender rights and policies based on the agreement of 185 member states as well as employers and workers organisations in those countries. As such the ILO-Standards represent rights and principles endorsed by both the public and private sector representatives of this global membership.

Key principles of the OECD recommendation

A. **Adopt practices that promote gender equality in education by:**

1. Ensuring that boys and girls have equal access to good-quality education, equal rights and opportunities to successfully complete schooling and in making educational choices;
2. Reviewing and where necessary adapting school and early childhood education curricula, teaching and school practices to eliminate gender discrimination and stereotyping;
3. Making the study of science, technology, engineering, mathematics (STEM) financial and entrepreneurship issues, as well as education, arts and the humanities, equally inclusive and attractive for both boys and girls; promoting the development of stronger reading habits among boys and girls;
4. Campaigning and raising awareness among young men and women, parents, teachers and employers about gender-stereotypical attitudes towards academic performances and the likely consequences of overall educational choices for employment and entrepreneurship opportunities, career progression and earnings;
5. Encouraging more women who have completed STEM studies to pursue professional careers in these areas, for example by means of career counselling, adult education, internships, apprenticeships and targeted financial support;

B. **Promote family-friendly policies and working conditions which enable fathers and mothers to balance their working hours and their family responsibilities and facilitate women to participate more in private and public sector employment by:**

1. Designing tax-benefit systems so that both parents have broadly similar financial incentives to work;
2. Securing availability of and access to affordable good-quality early childhood education and care as well as affordable long-term care for other dependants, including for example disabled children or elderly relatives;
3. Providing employment-protected paid maternity and paternity leave to working mothers and fathers;
4. Encouraging working fathers to take available care leave, for example by reserving part of the parental leave entitlement for the exclusive and non-transferable use by fathers;
5. Providing incentives to fathers to use flexible work entitlements, promoting a more temporary use of part-time work among men and women, providing incentives for women to participate more hours in the labour force, and raising awareness of gender stereotypes to encourage a more equal sharing of paid and unpaid work (household responsibilities) between men and women;
6. Ensuring that all parents can participate in the labour market regardless of their partnership status, providing ample employment supports to sole parents;
7. Ensuring that policies that address the problem of unemployment do not discriminate either directly or indirectly against women;
8. Improving employment conditions and access to social support for informal workers, especially those in the most vulnerable categories such as home-based and domestic workers;

C. **Increase the representation of women in decision-making positions by:**

1. Encouraging measures such as voluntary targets, disclosure requirements and private initiatives that enhance gender diversity on boards and in senior management of listed companies; complementing such efforts with other measures to support effective board participation by women and expand the pool of qualified candidates; continuing to monitor and analyse the costs and benefits of different approaches – including voluntary targets, disclosure requirements or boardroom quotas – to promote gender diversity in leadership positions in private companies;
2. Introducing mechanisms to improve the gender balance in leadership positions in the public sector, such as disclosure requirements, target setting or quotas for women in senior management positions; strengthening the flexibility, transparency and fairness of public sector employment systems and policies; and monitoring progress of female representation in the public sector;
3. Encouraging greater participation and representation of women at all levels of politics, including in government, parliament, local authorities, and the judiciary system;

D. **Eliminate the discriminatory gender wage gap by: strengthening the legal framework and its enforcement for combating all forms of discrimination in pay, recruitment, training and promotion; promoting pay transparency; ensuring that the principle of equal pay for equal work or for work of equal value is respected in collective bargaining and/or labour law and practice; tackling stereotypes, segregation and indirect discrimination in the labour market, notably against part-time workers; promoting the reconciliation of work and family life;**

E. **Promote all appropriate measures to end sexual harassment in the workplace, including awareness and prevention campaigns and actions by employers and unions;**

F. **Reduce the gender gap in entrepreneurship activity by:**

1. Designing appropriate responses to gaps and market failures, including: policies to reduce barriers to women entrepreneurship, administrative burdens on firms and excessive regulatory restrictions; policies to support firm growth, internationalisation and innovation; support for the development and implementation of awareness campaigns, training programmes, mentoring, coaching, and support networks, including professional advice on legal and fiscal matters;
2. Ensuring equal access to finance for female and male entrepreneurs through actions that influence both the supply of and demand for finance by: easing access to finance for viable businesses owned by men and women; taking steps to improve the knowledge and attitudes of financial institutions; increasing awareness of finance sources and tools among women entrepreneurs; and, encouraging more women to join business angel networks or venture capital firms.

G. **Pay attention to the special needs of women from disadvantaged minority groups and migrant women in relation to the aims set out above;**

H. **Reduce the gender gap in financial literacy by developing and implementing initiatives and programmes aimed at addressing women's financial literacy needs, and in particular at fostering their awareness, confidence, competencies and skills when dealing with financial issues;**

I. **Mainstream the gender equality perspective in the design, development and evaluation of relevant policies and budgets, for example by conducting systematic gender-impact assessments and generating appropriate data and evidence to build a benchmark for future assessments as well as a compilation of best practices for governments and government agencies;**

J. **Strengthen accountability mechanisms for gender equality and mainstreaming initiatives across and within government bodies.**

The Recommendation of the OECD Council on Gender Equality in Education Employment and Entrepreneurship (OECD, 2013), was adopted by all 34 OECD Member countries, Costa Rica, Latvia and the Russian Federation.

ANNEX 2.
ADDITIONAL INDICATORS ON GENDER GAPS IN OPPORTUNITIES AND LABOUR MARKET OUTCOMES

Annex Table A2.1 presents additional indicators on labour market outcomes for men and women as well as childcare enrolment rates, gender gaps in the population that holds an account/loan with financial institutions and information on attitudes on employment when jobs are scarce. For most of these indicators data are presented for 2000 as well as the most recent year.

Annex Table A2.2 presents indications on educational attainment and performance by gender.

Annex Figure A2.1 presents information on proportion of the population who received a loan from a formal financial institution, by sex, 2011 and the proportion of the population who have an account in a formal financial institution, by sex, 2011.

Annex Table A2.1. Indicators on male and female labour market outcomes

	Labour force participation rate, 15-64 years[a]				Employment / population ratio, 15-64 years[a]				Incidence of part-time employment[b], 15+ years				Incidence of senior managers[c], 15+ years				Gender pay gap[d], 15+ years		Preschool enrolment rate among children aged 3-5 years
	2012[e]		2000[f]		2012[e]		2000[f]		2012		2000[g]		2011[h]		2000		2011[i]	2000	2010
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women			
Australia	82.5	70.4	82.5	65.4	78.1	66.6	77.1	61.4	13.1	38.4	11.7	38.8	12.8	9	13.8	8.6	16	17.2	80.1
Brazil	83.3	60.8	84.7	58.3	79.3	55.7	78.2	51.3	9.7	24.6	8.8	28.4	5.5	4.2	4.7	3.5	..	..	57.9
Canada	81.6	74.3	81.9	70.4	75.2	69.2	76.2	65.6	11.8	26.6	10.4	27.2	11.3	7.1	11.7	7.5	19.2	23.9	47.3
Denmark	81.4	75.8	84	75.9	75.2	70	80.7	72.1	14.4	24.9	9.2	24	7	1.6	10.4	3.8	8.8	12.6	94.1
China	84.3	70.3	87.8	76.7	82	68	84.6	73.8	..	..	..	..	2.5	0.6	..	..			..
European Union[j]	77.9	65.5	77	60	69.6	58.5	70.6	53.6	8.2	29.2	5.9	27.5	7.5	4.2	10.6	5.8	12.2	17.0	82.6
France	75.4	66.7	75.3	62.5	68	60	68.8	54.8	5.9	22.4	5.5	24.9	8.6	6.2	8.8	5.8	14.1	14.6	101.1
Germany	82.4	71.7	78.9	63.3	77.6	68	72.9	58.1	8.7	37.8	4.8	33.9	6.4	3.2	7.4	3.6	16.5	20.6	93.9
India	78.8	27.2	82.3	34.1	76.1	26.1	78.7	32.7	..	..	..	..	..	..	..	..	..	..	..
Indonesia	85	52.5	82.8	56.5	80	49	78	53	..	..	..	..	2.1	1	..	..	16.6	..	29.6
Italy	75	54.2	74.3	46.3	67.5	47.8	68.2	39.6	7.5	32.3	5.7	23.4	5	2.4	5.9	1.7	10.6	7.4	95.7
Japan	84.3	63.4	85.2	59.6	80.3	60.7	80.9	56.7	10.3	34.5	8.6	30.9	..	..	..	..	27.4	33.9	90.3
Korea	77.6	55.2	77.1	52	74.9	53.5	73.1	50	6.8	15	5.1	9.8	3.6	0.5	3.6	0.3	37.5	40.4	83.1
Mexico	83	47.8	84.7	41	78.9	45.3	82.8	39.6	13.7	28.8	7.1	25.6	2.2	1.6	2.7	1.6	..	..	88.9
Netherlands	84.2	74.3	83.2	65.2	79.7	70.4	81.2	62.7	18	60.7	13.4	57.2	9.6	4.7	15.8	7.2	20.5	18.7	95.3
Russian Fed.	78.1	68.2	75.9	66.2	73.6	64.7	67.6	59.3	2.9	5.4	4.9	10	8.6	5.3	..	..	..	..	74.5
Slovenia	73.7	66.9	72.5	63	67.4	60.5	68.2	58.6	5.9	10.3	3.9	6.1	9.4	6.9	9.6	4.7	11.6	..	85.8
United Kingdom	83.2	71	84.1	68.9	76.1	65.7	78.9	65.6	12.2	39.4	8.6	40.8	12.5	7.5	18.3	11.5	18.2	26.3	93.3
United States	78.8	67.6	83.9	70.7	72.3	62.2	80.6	67.8	8.7	18.3	7.7	18	16.3	13.9	..	..	17.8	23.1	66.5
OECD average	**79.3**	**65.9**	**79.5**	**60.9**	**72.3**	**60.1**	**74.3**	**56.2**	**8.8**	**25.1**	**6.2**	**23.3**	**10.1**	**4.4**	**10.3**	**5.5**	**14.8**	**19.2**	80.6

.. No data available.
a) Data refer to persons aged 15+ for India and Indonesia.
b) Incidence of part-time employment refers to the proportion of employed persons who work part-time, based on a 30-usual-hour cut-off in the main job.
c) Data refer to legislators, senior officials and managers - corresponding to category 1 of the International Standard Classification of Occupations 08 (ISCO-08).
d) The gender wage gap is defined as the men minus female median wages as a proportion of the men median wages. The data refers to mean wages for employees only, for China (Hong Kong) and Indonesia.
e) Data refer to 2010 for Japan.
f) Data refer to 2001 for Brazil.
g) Data refer to 2001 for Australia; 2002 for Japan.
h) Data refer to 2010 for Turkey; 2008 for Australia, Canada, Indonesia, Mexico, the Russian Federation, the United States; 2007 for Brazil; 2005 for China.
i) Data refer to 2010 for France, Italy and Turkey and 2008 for the Russian Federation.
j) Data refer to an unweighted EU21 average for indicators on the incidence of senior managers, gender pay gap; and an unweighted EU27 average for indicator on childcare enrolment.

Source: *OECD Employment Database*; ILOSTAT (version March 2014); ILO Short-term Indicators of the Labour Market Database (version March 2014); OECD Gender Data Portal; and *OECD Family Database*.

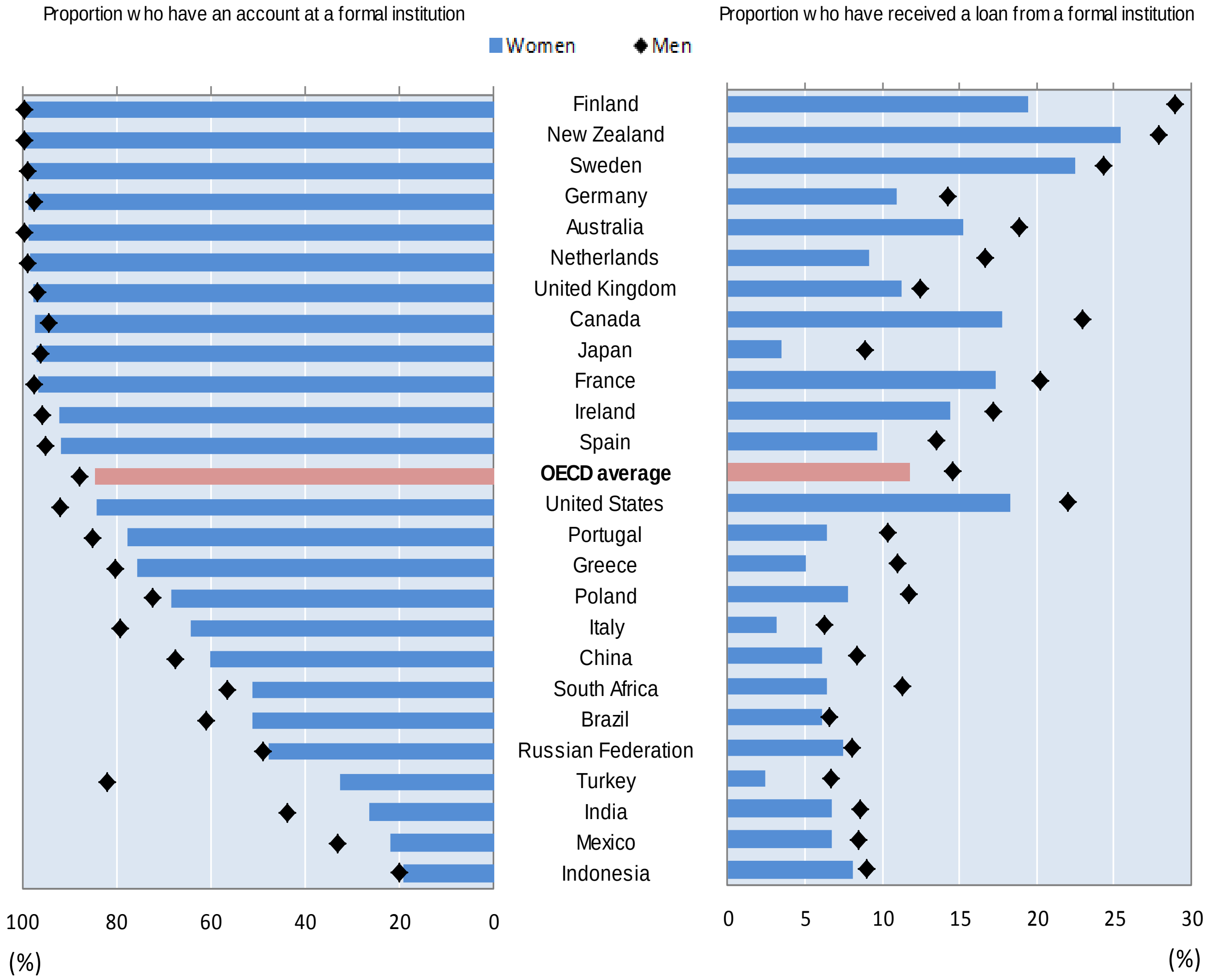
Annex Table A2.2. Indicators of male and female educational attainment and performance

	Percentage of the population that has attained tertiary education[a], 25-34 years				Percentage of the population that has attained tertiary education[a], 25-64 years				Percentage of tertiary qualifications awarded to women in engineering[b]	
	2011		2000		2011		2000		2011[c]	2000
	Men	Women	Men	Women	Men	Women	Men	Women		
Australia	38.3	51.0	27.7	35.0	34.6	42.0	26.1	28.8	24.6	21.5
Brazil	10.6	14.7	..	..	10.2	12.9	m	m	30.2	..
Canada	48.8	64.6	43.3	53.6	46.3	56.3	37.7	42.5	23.1	22.7
China	..	..	..	..	4.1	3.0	..	..	13.5	..
Denmark	31.0	46.5	26.9	31.6	29.7	37.8	24.4	27.2	32.4	25.8
European Union[d]	30.2	41.1	21.5	25.9	26.5	30.5	19.8	19.7	28.0	23.2
France	38.7	47.2	28.9	33.8	28.0	31.4	21.1	22.0	30.4	23.8
Germany	25.7	29.7	24.0	20.4	30.2	24.9	28.6	18.3	22.1	19.6
India	..	..	..	..	..	..	..	..	..	..
Indonesia	..	..	..	..	8.1	6.9	..	..	..	..
Italy	16.4	25.6	9.3	11.7	13.4	16.4	9.9	9.4	33.0	..
Japan	55.1	62.5	46.3	49.4	46.8	45.9	36.6	30.6	11.2	8.9
Korea	60.6	67.2	40.3	33.4	44.8	35.9	29.9	17.9	23.8	23.3
Mexico	22.7	22.4	19.0	16.1	19.4	15.5	17.9	11.9	28.9	22.2
Netherlands	35.9	43.9	26.6	27.7	33.4	30.7	26.7	21.4	20.1	12.5
Russian Fed.	49.6	63.3	..	..	46.0	60.1	..	..	30.2	..
Slovenia	23.8	44.4	13.8	25.2	20.3	30.1	14.1	17.3	33.9	..
United Kingdom	45.4	48.5	30.4	27.5	39.1	39.8	26.7	24.5	22.6	19.6
United States	38.2	48.1	36.1	40.0	40.3	44.6	36.9	36.1	21.8	21.2
OECD average	**33.8**	**4.6**	**24.7**	**28.2**	**29.9**	**33.1**	**22.5**	**21.5**	**27.1**	**22.6**

.. No data available.
a) Tertiary education refers to all type-A and type-B programmes.
b) Tertiary degrees in engineering refer to degrees in engineering, manufacturing and construction.
c) Data refer an un-weighted EU21 average for indicators on tertiary attainment and qualifications.

Source: OECD Education Database.

Annex Figure A2.1. Proportion of the population who have an account with a formal financial institution and who received a loan from a formal financial institution, by sex, 2011



Source: World Bank Global Financial Inclusion Database, Demirguc-Kunt, A. and L. Klapper (2012), "Measuring Financial Inclusion: The Global Findex Database", *World Bank Policy Research Paper*, No. 6025, Washington D.C.