

Chapter 2

Persistence of Gender Discrimination in the Workplace

2.1 Terms and Definitions

Discrimination, today a negatively connoted behaviour, in its Latin origin stands for “division” or “differentiation”. Political and social sciences and legal practice understand discrimination in the contemporary sense as a disadvantageous, unfavorable or adverse treatment of an individual based on membership in a social group rather than on individual character, talent, merit or performance.¹ For unfavorable treatment to be considered discrimination, a relatively privileged comparator is needed as benchmark. Unmerited privilege for some coincides with unjust disadvantage for others. Discrimination may be inflicted with or without intent and works as a mechanism of social exclusion.² In the organizational context, gender discrimination may be expressed in rules, practices, processes or any other type of organizational and individual behaviors that disadvantage individuals of one gender compared with members of the other gender. Discrimination in the workplace is of course not limited to gender. It can happen on a variety of other grounds such as race, ethnicity, religion or belief, age, sexual orientation, beauty or weight, some of which are outlawed,³ some are not. While discrimination often concerns members of social groups that are marginalized in their numerical proportion; women make up the slight majority in most countries. Still, in decision-making positions, they form part of a minority. Women may hence be the single largest—internally very heterogeneous—marginalized group within both the global and the managerial workforce.⁴ So by sheer numerical relevance, gender discrimination is a

¹ Irvine (2000), p 356; among others, directives EC/2000/78, Article 2, lit 2 (a) and EC/2006/54 Art 2 lit 1 (a) and (b).

² Olson (1990), pp 161ff; Thanacoody et al. (2006), p 540.

³ In the European context, the protected grounds for the workplace are race and ethnicity, religion or belief, sex, sexual orientation, age and disability (EC/2000/43, EC/2000/78, EC/2006/54).

⁴ Singh and Vinnicombe (2003), p 357.

prime object of study concerning socio-demographic disadvantage within organizations. For Europe, issues of race and ethnicity arise to a greater degree from relatively recent migration in comparison to the United States. From this perspective, women as an overall group present themselves as a social group directly mirroring the educational biography of their male peers to a greater degree than migrants and descendants of migrants can. Still, forms and patterns of discrimination are intertwined rather than mutually exclusive organizational phenomena. Organizations that face gender disadvantage often simultaneously struggle with racial or ethnic discrimination.⁵ Some aspects of this study on gender discrimination must thus be considered relevant also for other forms of social discrimination; others will remain unique to the situation of women compared with men.

For any study of gender, it is important to be aware of a distinction between biological sex on the one hand and gender on the other hand.⁶ While a person's sex is perceived to be biologically determined to a large extent,⁷ gender is a cognitive development.⁸ Notions of "masculinity" and "femininity" are learned,⁹ often in the process of a lifetime.¹⁰ They exist in given cultural and epochal contexts,¹¹ and are subject to continuous reconstruction.¹² Gender is a relevant social category over a variety of cultures. The concrete ascriptions to men and women, to "femininity" and "masculinity" in traits, qualities and responsibilities vary with different socializations and belief systems. Gender roles cannot be considered universal and lack historical stability.¹³ They can in fact be reformed, suspended or temporarily relaxed by historical change, great turmoil and desperate need for manpower. Industrialization created considerable demand and opportunity, but also economic pressure for female paid employment in deprived industrial working classes of the earlier industrial age. In these class contexts, gendered family roles of the man as lone breadwinner and the woman as family caretaker never was the reality. WWII and the period of reconstruction after the war boosted female work responsibility outside the home as never before in Western history, epitomized by the iconic "Rosie the Riveter" in the US and the German *Trümmerfrauen* (rubble women). While the immediate reason for women to assume these responsibilities was a shortage of male labor in a time of drastically heightened need for manpower, the cultural impact of female employment on gender roles was so profound it changed notions of what "a little girl will do", and possibly forever altered gender roles in

⁵ Haessel and Palmer (1978), p 555.

⁶ Johansson (1998), p 43.

⁷ For substantial critique of biological (strictly polar) determinism, see: Butler and Trouble (1990), more recently Voß (2011).

⁸ Gale (1994), p 4.

⁹ Johansson (1998), p 43f.

¹⁰ Wilson (2005), p 234.

¹¹ Laufer and Fielden (2002), p 102.

¹² Johansson (1998), p 43.

¹³ Korac-Kakabadse (2001), p 107.

Western societies.¹⁴ While gender is a dynamic social construction, it is also a factor of stability within societies in the sense that it is one of the central organizing principles of economic life,¹⁵ whatever its concrete content may be at different times and places. Notions of perceived stereotypical “masculinity” or “femininity”¹⁶ may be subject to social (re-)construction in the long term. In a given context, they profoundly impact individual behaviors, choices and opportunities through broader social judgments and expectations. In the professional arena, the attractiveness of professions and occupations is massively gendered already on the high school level. Highly sex-typed professions—professions that conform overwhelmingly to one gender stereotype—are unattractive to members of the opposite sex.¹⁷ This process is dynamic in the sense that attractiveness shifts as majorities become skewed and associated with the respective other gender. Quite swiftly, such occupations become inappropriate choices for the formerly dominant gender in them.¹⁸ Gender associations can be attached to entire industries: Technology, manufacturing, construction, science,¹⁹ management and leadership²⁰ are highly male sex-typed. Perceived bastions of feminine competence are people and service-oriented industries and professions that make use of social, communication and “people” skills.²¹ Women’s participation in perceivably “masculine” industries is low. Women’s presence is strong in perceivably “feminine” fields such as consumer products and services, health and educational services, retail, banking, media, utilities,²² and light industry. This divide extends to the functional plane, where women are saliently concentrated in “people-related” areas in their organizations. Examples for such departments include HR, public relations and other support departments.²³

An introductory word to the role of choice and self-selection: Women as agents of their lives naturally make willful choices and through them self-determinedly impact upon the development of their careers and economic situation. At the same time, structures in which they make these choices impose constraints and possibilities, incentives and disincentives. The same structures that constrain

¹⁴ “Rosie the Riveter” is “*making history, working for victory*” by being “*part of the assembly line, whether rain or shine*”, helps crush Hitler on popular illustrations, a gun in her hand and “*Mein Kampf*” beneath her feet, in short: “*That little girl will do more than a male will do*” as quoted from the 1943 song “Rosie the Riveter” by Redd Evans and John Jacob Loeb. Library of Congress, “Rosie the Riveter: Real Women Workers in World War II”, <http://www.loc.gov/rr/program/journey/rosie-transcript.html>

¹⁵ Oakley (2000), p 331.

¹⁶ Cames et al. (2001), p 109.

¹⁷ Peterson (2007), p 336.

¹⁸ Perry et al. (1994), p 798.

¹⁹ Antal and Krebsbacher-Gnath (1993), p 53.

²⁰ Heilman (1997), pp 877ff; Schein (2001), pp 675ff.

²¹ Hall-Taylor (1997), p 256.

²² Brammer et al. (2007), 400f.

²³ Davidson and Burke (2000), pp 2, 29.

women's perceptions of appropriate career options and choices equally constrain and influence employers and personnel decision-makers within a given societal context. Hence, the question of choice and self-selection into "women's" professional domains, as well as into unpaid labour cannot be solved to a satisfactory degree when pictured against the backdrop of an all-encompassing construction of gendered appropriateness and suitability of professions, industries, roles and reproductive work for men and women. These preconceptions, stereotypes and implicit associations attached to gender form a backpack of social factors for any self-selection and choice.²⁴

2.2 Numbers and Developments

2.2.1 *Women in Education and Academia*

The history of women in formal employment is divided along the lines of class and social status. Women of low social class historically had to contribute to family income as a necessity for survival. The industrialization process created hitherto unknown opportunities for working class women. After WWII, employment rates for women of all social statuses rose steadily, and social roles began to change as women entered "strictly male" reserves and slowly began to gain entry into higher-status jobs. The massive influx of women into the workforce in the second half of the twentieth century left more women than ever before in history working outside the home. In 2004, the ILO estimates 1.1 billion, or close to 40 %, of the world's 2.8 billion workers are women. In the USA they already make up half, in the UK just over half of the national workforce.²⁵

While women account for about half of the workforce in all developed countries, their share in leadership positions in public and private management has not progressed at the same pace. Until well into the 1980s, women's subordinate position in the labor market was attributed to gendered shortcomings in education.²⁶ Today, girls and women present themselves as high-achievers in education. It is an international phenomenon girls outperform boys in school education. They excel in traditionally female-dominated subjects, but also in previously male domains like math and science. Girls have been catching up with boys, come close to or are on par now in math and science results in many industrialized countries.²⁷ For the US educational system, a recent large-scale study with seven million students in several US federal states came to the conclusion school grades

²⁴ Correll (2001), p 1698; White (1995), p 6; Wood (2006), p 285.

²⁵ Cross (2006), p 28f.

²⁶ Schubert (1993), p 24.

²⁷ Holmlund and Sund (2008), p 50.

2–11 no longer showed a gender difference in math results.²⁸ In higher education, women earn more than half of all bachelor and master's degrees in the US, close to half of all law and doctoral degrees.²⁹ In 2000, women in the US outnumbered men on all levels of post-secondary education except for doctorates.³⁰ In Austria, women form the majority of high school graduates, university students and now also university graduates, graduating with better grades both from high school and university all whilst collecting more foreign and internship experience during their studies.³¹ Women's educational performance in the UK shows a similar picture: While they earn university degrees and enter the workforce approximately in equal numbers with men,³² UK survey data shows women dominate honors and research degrees compared with their male peers of the same fields.³³ For Europe as a whole, higher education now bears a female face, as women make up the comfortable majority of tertiary graduates across all EU member states in 2005 (close to 60 %).³⁴ Women exceed men in particular in higher education that is specifically relevant for a career in business³⁵ both in the US³⁶ and in Europe.³⁷

Despite this clear lead of women over men in the achievement of higher education, academia itself is an example for a particular phenomenon, the Scissor Curve. Women exceed men numerically in educational qualification and on entry-level academic jobs. The gap reverses on higher levels of the academic hierarchy, though. Beyond a certain point of qualified academic employment, gender proportions begin to reverse until the gap is wide open for leadership positions in the scientific hierarchy.³⁸ Women in the UK academic system, for example, were found

²⁸ University of Wisconsin, Madison, <https://arc.uchicago.edu/reese/files/nsf-posters/nsf-poster-hyde.pdf>

²⁹ Catalyst, "The Bottom Line: Connecting Corporate Performance and Gender Diversity" (2004), <http://www.catalyst.org/publication/82/the-bottom-line-connecting-corporate-performance-and-gender-diversity>

³⁰ Wentling (2003), p 311.

³¹ Profil, <http://www.profil.at/articles/0805/560/196218/die-frau-warum-gleich>

³² Mavin (2001), p 187f.

³³ Ellison (2001), p 270f.

³⁴ Europa Press Release RAPID, "Bridging the Gender Pay Gap" (2007), <http://europa.eu/rapid/pressReleasesAction.do?aged=0&format=HTML&guiLanguage=en&language=EN&reference=MEMO/07/297>

³⁵ Catalyst, "The Bottom Line: Connecting Corporate Performance and Gender Diversity" (2004), <http://www.catalyst.org/publication/82/the-bottom-line-connecting-corporate-performance-and-gender-diversity>

³⁶ Ellison (2001), Catalyst, "The Bottom Line: Connecting Corporate Performance and Gender Diversity" (2004), <http://www.catalyst.org/publication/82/the-bottom-line-connecting-corporate-performance-and-gender-diversity>

³⁷ Europa Press Release RAPID, "Bridging the Gender Pay Gap" (2007), <http://europa.eu/rapid/pressReleasesAction.do?aged=0&format=HTML&guiLanguage=en&language=EN&reference=MEMO/07/297>

³⁸ For the German academic sector in: EC Commission (2008b), http://ec.europa.eu/employment_social/publications/2008/ke8108186_de.pdf

concentrated in low-pay and high-insecurity positions, all whilst 85 % of full professors were men in 1999.³⁹

2.2.2 *Women as Top Executives*

Women have made significant progress in the overall achievement of managerial positions, but still lag substantially behind their male colleagues in terms of senior management and top executive positions. The following numbers are drawn from different (Western) national and geographic contexts to show the supranational persistence of the gender divide in management career achievement. Comparability is, however, constrained by differing national definitions and understandings of the term “management”. Some countries categorize generously and include clerical or administrative jobs in the “management” category. In European comparisons, Scandinavian countries rank surprisingly low on the representation of women in managerial positions. This is at least in part due to the rigid definition of “management” these countries use.⁴⁰ Standardized data collection with common definitions on the European level would allow for better comparability.⁴¹ One also has to note even beyond definitions of management on the national level, managers as a population are diverse and nuanced in their status. The definition comprises hierarchical levels from junior to senior, but also professionals in organizations from fast food restaurants to Fortune 500 companies.⁴²

In the US, women went from a 5 % share in executive, administrative, and managerial occupations in 1988 to a high 44 % in 1996,⁴³ moving up from 32 to 43 % the years 1993–1995 alone.⁴⁴ They were able to substantially increase their presence on all levels of the managerial hierarchy, but predominantly in junior and middle management⁴⁵ and to a much lesser degree at the top.⁴⁶ In 1994, 6 % of upper management positions of financial organizations were held by women, which

³⁹ Forster (2000), p 318.

⁴⁰ Davidson and Burke (2000), p 11.

⁴¹ On the duty of the newly established European Gender Equality Institute reporting to the Commission, amongst other issues, on best practices, Art 3 (1) a, “Regulation (EC) No 1922/2006 of the European Parliament and of the Council of 20 December 2006 on establishing a European Institute for Gender Equality”, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32006R1922:EN:HTML>

⁴² Cooper (2001), p 33.

⁴³ Cooper (2001), p 33.

⁴⁴ Oakley (2000), p 331.

⁴⁵ Oakley (2000), p 321.

⁴⁶ Wood (2006), p 278.

corresponds to only 0.1 % of the female workforce in these organizations.⁴⁷ In 1995, there was one sole female CEO leading a Fortune 500 company;⁴⁸ in 2009 only 15 Fortune 500 companies had a woman at the very top, and another 14 female CEOs followed in the Fortune 501-1000. Progress thus went on, but the increase came from an extremely low level. Circa 3 % of Fortune 500 and Fortune 1000 firms had female CEOs in 2009.⁴⁹ More recent analysis of women's representation at the top of US-based firms uses a different firm sample, which limits comparability to previous years mentioned. The dimension is similar, though, with below 5 % of S&P 500 firms listed with Dow Jones in 2014 led by women as CEOs (a total of 23 individuals).⁵⁰ The phenomenon of relative numerical strength in lower to middle positions and a drastic decline on upper levels—as if female middle managers hit an invisible barrier—has been famously termed a “glass ceiling”.⁵¹ The US Department of Labor's Glass Ceiling Commission conducted a large-scale inquiry into the glass ceiling for women and ethnic minorities in management in 1995. While women made up 46 % of the workforce—women and ethnic minority members together even 57 %—a full 95 % of Fortune 1000 industrial and Fortune 500 service companies' senior managers were men. Of these 95 % male managers, 97 % were white.⁵²

Having established already the change in women CEOs has been at best modest, the situation of corporate officers merits a closer look. Corporate officers are defined as the highest level of corporate employees, the company's most successful senior managers, who are equipped with policy-making responsibility for the operations of their corporation. These individuals carry day-to-day responsibility for corporate operations⁵³ and have the power to legally commit the firm.⁵⁴ In 1995, women made up close to 9 % of corporate top officer positions in the Fortune 500, a number that rose to almost 16 % in 2002.⁵⁵ Only 20 % of female officers in 1997

⁴⁷ Cattaneo et al. (1994) p 23.

⁴⁸ Catalyst, “Women in US Corporate Leadership” (2003), p 1, <http://www.catalyst.org/publication/93/women-in-us-corporate-leadership-2003>

⁴⁹ Catalyst, “Women CEOs of the Fortune 1000” (2009), <http://www.catalyst.org/publication/322/women-ceos-of-the-fortune-1000>

⁵⁰ Catalyst “Women CEOs of the S&P 500” (2015), <http://www.catalyst.org/knowledge/women-ceos-sp-500>

⁵¹ Term coined by Hymowitz and Schellhardt (1986).

⁵² US Department of Labor (1995), <http://www.dol.gov/oasam/programs/history/reich/reports/ceiling.htm>

⁵³ Catalyst, “2002 Catalyst Census of Women Corporate Officers and Top Earners of the Fortune 500” (2002), <http://www.catalyst.org/publication/174/2002-catalyst-census-of-women-corporate-officers-and-top-earners-of-the-fortune-500>

⁵⁴ Catalyst, “1997 Catalyst Census of Women Corporate Officers and Top Earners of the Fortune 500” (1997), <http://www.catalyst.org/publication/178/1997-catalyst-census-of-women-corporate-officers-and-top-earners-of-the-fortune-500>

⁵⁵ Catalyst (1997a); Catalyst (2002).

worked in line positions. This compared to over 40 % of male officers.⁵⁶ Line experience is considered crucial for advancement to senior management. Women in management could be expected to be at a disadvantage compared to male competitors as long as they disproportionately concentrated in staff positions.⁵⁷ Until 2002, the percentage of women officers in line positions increased to 30 %. Their male colleagues simultaneously increased their share at the same time, though, with more than 50 % of male officers in line positions.⁵⁸ The number of women as corporate officers stagnated in the first decade of the twenty-first century with still close to 16 % in 2008.⁵⁹ With different methodology, women are found to occupy 25 % of senior-level positions in the S&P 500 companies in the year 2014.⁶⁰

Women were in a tiny minority with only 1 % of corporate top earners (defined as the five most highly compensated top executives of the corporation)⁶¹ in 1995.⁶² After a pronounced increase of women in the second half of the 1990s, progress came to a halt in the early 2000s with slightly above 6 % women top earners in 2008.⁶³

For large European companies, comprehensive analysis similar to US data is not collected and analysed. Available data speaks a similar language as the situation in the US, though. Women made up 32 % of European managerial professionals in 2006, a slight improvement compared with previous years. Women were under-represented in managerial positions across the EU, and in the majority of countries substantially so.⁶⁴ This was especially the case for top management positions. In Sweden as a Nordic European country, only 5 of 291 enterprises listed at the national stock market were led by women as managing directors in 2006 (which amounted to under 2 % of total listed firms). In the same year, the Spanish index IBEX 35 counted only one female president (3 % of companies). Of the Top 300 European⁶⁵. Companies—ranked according to their market capitalization⁶⁶—

⁵⁶ Catalyst (1997a).

⁵⁷ Catalyst “Women in U.S Corporate Leadership: 2003” (2003), <http://www.catalyst.org/publication/93/women-in-us-corporate-leadership-2003>

⁵⁸ Catalyst (2003a)

⁵⁹ Catalyst, “2008 Catalyst Census of Women Corporate Officers and Top Earners of the FP500” (2009), <http://www.catalyst.org/publication/295/2008-catalyst-census-of-women-corporate-officers-and-top-earners-of-the-fp500>

⁶⁰ Catalyst, “Pyramid: Women in S&P 500 companies” (2015), <http://www.catalyst.org/knowledge/women-sp-500-companies>

⁶¹ Resulting in a sample of around 2500 executives for the Fortune 500 (data not being available for all companies in all years). Catalyst (1997a)

⁶² Catalyst (1997b).

⁶³ Catalyst (2009a)

⁶⁴ Davidson and Burke (2001), p 34.

⁶⁵ Defined as having their headquarter in an EU member state.

⁶⁶ Based on the FTSEurofirst 300 Index. EuropeanPWN (European Professional Women’s Network), Press Release, “Third Bi-annual EuropeanPWN Board Women Monitor 2008” (2008), www.europepwn.net/files/3rd_bwm_2008_press_release_1.pdf

only four were led by women as CEOs in 2007 (slightly over 1 % of the company sample).⁶⁷ Unfortunately, no updated data using the same methodology is available so far. According to a EU Commission estimate also from the year 2007, less than 3 % of blue-chip companies in all 27 EU Member States had a female leader in the highest corporate decision-making body. These low European numbers were already boosted by the accession of formerly socialist Central, Eastern and South-Eastern European states, which brought a tradition of women in senior industrial leadership.⁶⁸ Not surprisingly, over 7 % of the leading companies in the ten new EU member states were led by women in 2006 compared with a mere 1 % for the EU-15. More than 10 % of blue-chip companies were led by women in Bulgaria, the Czech Republic, Poland and Slovakia.⁶⁹ Inner-European differences are thus strong for historical and social reasons. A communality across Europe is: A very small proportion of women occupies top managerial positions in the European business landscape in the early twenty-first century.

2.2.3 *Women on Corporate Boards*

Women's representation on US corporate boards, much like executive leadership, has witnessed upward change from the mid-1990s followed by a period of stagnation in the early 2000s. Still in 1995, almost one fifth of Fortune 500 firms did not have a female director "on board".⁷⁰ The representation of women on Fortune 500 boards went from 10 to 15 % from the mid-1990s to 2008. Still in 2008, 66 companies in the Fortune 500 had no female director, with no positive change since 2001. A full 45 % of Fortune 500 boards in 2008 had only one or no female director,⁷¹ this at an average board size of 9–11 directors for the Fortune 1000 as a benchmark.⁷² Industrial context played a role for the ratio of women directors

⁶⁷ Patricia Russo, CEO for Alcatel-Lucent, France; Cynthia Carroll, CEO for Anglo American, UK; Dame Marjorie Scardino, CEO for Pearson, UK; Nancy McKinstry CEO/Chair for Wolters Kluwer, The Netherlands—all of them are American. EuropeanPWN (European Professional Women's Network), Press Release, "Third Bi-annual EuropeanPWN BoardWomen Monitor 2008" (2008), p 5, www.europeanpwn.net/files/3rd_bwm_2008_press_release_1.pdf

⁶⁸ Dijkstra (1997), p 118ff.

⁶⁹ Press Release, "Third Bi-annual EuropeanPWN Board Women Monitor 2008" (2008), www.europeanpwn.net/files/3rd_bwm_2008_press_release_1.pdf

⁷⁰ Catalyst (2003), "2003 Catalyst Census of Women Board Directors of the Fortune 500" (2003), <http://www.catalyst.org/publication/148/2003-catalyst-census-of-women-board-directors-of-the-fortune-500>

⁷¹ Catalyst, "2008 Catalyst Census of Women Board Directors of the Fortune 500" (2008), <http://www.catalyst.org/publication/282/2008-catalyst-census-of-women-board-directors-of-the-fortune-500>

⁷² Farrell and Hersch (2005), p 92.

“aboard”: Their numbers varied greatly with industry,⁷³ but also with firm size. Larger boards tended to be more demographically diverse.⁷⁴ Financial success seemed to play a role as well, as the top 100 of the Fortune 500 companies all had at least one female director; their average share of 16 % female directors on board was also well above the 2003 Fortune 500 average.⁷⁵ A favorable development that is masked in general numerical development is women’s increase in power on boards: The number of particularly powerful board positions held by women was on the rise in 2007 (15.1 % on Nominating/Governance, 9.9 % on Audit and 10.9 % on Compensation committees).⁷⁶ For the recently analyzed S&P 500 boards, women held over 19 % of board seats in 2014.⁷⁷

For European boards, stock markets operate under highly diversified national legal systems with differences in requirements for corporate reporting and in some instances different legal requirements for board composition in publicly listed companies. For the UK, the Higgs Review pointed out a striking discrepancy between available qualified women and their utilization on UK corporate boards. 30 % of managers in the British corporate sector are women, yet they make up only 6 % of outside directors on boards.⁷⁸ The Top 300 European companies—measured by market capitalization—had a proportion of almost 10 % women board directors in 2006, depicting an upward trend from 8 % in 2004.⁷⁹ In 2008, the most recent EuropeanPWN Board Women Monitor found women now made up almost 12 % of board members of the Top 300 European companies.⁸⁰ 72 % of the Top 300 - European companies had at least one woman on their board in 2008, a number that has been on the rise in recent years.⁸¹ While some progress is detectable for women’s presence on the largest European boards, more than 1 in every 4 of the Top 300 European companies still has not a single woman “on board” in the early twenty-first century. This is particularly noteworthy as the average Top 300 - European board is large in size with 15 directors.⁸² Average relative representation of women on corporate boards of Europe’s largest companies appears to lag behind the proportions known from Fortune 500 companies, of course taking into account numbers are not directly comparable.

⁷³ Bilimoria (1997), p 66.

⁷⁴ Singh and Vinnicombe (2003), p 351.

⁷⁵ Catalyst (2003a, b).

⁷⁶ Catalyst, “2007 Catalyst Census of Women Board Directors of the Fortune 500” (2007), <http://www.catalyst.org/publication/12/2007-catalyst-census-of-women-board-directors-of-the-fortune-500>

⁷⁷ Catalyst (2015b).

⁷⁸ Higgs (2003), http://www.dti.gov.uk/cld/non_execs_review

⁷⁹ EuropeanPWN (2008).

⁸⁰ EuropeanPWN (2010), http://www.pwnamsterdam.net/articles/epwn_board_monitor_2010

⁸¹ EuropeanPWN (2008).

⁸² EuropeanPWN (2008).

For diverse Europe, national differences do matter and are in fact pronounced. Scandinavian countries can be overall classified as “front runners” in gender diversity on corporate boards. Norway offered the highest representation rate of women on corporate boards with more than 44 %. Of course, regulatory action for publicly listed companies’ boards brought about this change in recent years. Sweden followed Norway with 26.9 %, Finland with 25.7 %, and Denmark with 18.1 %. A critical mass, as oftentimes suggested, of 30–40 % of women on boards⁸³ was achieved in only three countries, all in Scandinavia.⁸⁴ Other above-average countries in the representation of women on corporate boards were the UK, the Netherlands, and Austria. The big European economies Germany and France ranked below European average. Mediterranean countries ranked far behind. Italy reached a mere 2 % women on boards in 2008, and Portugal had one single (!) woman on a corporate board, representing 0.8 % of all corporate board seats.⁸⁵

While the Fortune 100 have *more* women on board than the Fortune 500 average, the top 23 companies in a European survey ranked below average in the inclusion of women “on board”.⁸⁶ A functional divide of women’s and men’s roles on Top 300 European boards can be observed for both US⁸⁷ and European boards. Only three boards of the Top 300 have a female Chair, Executive Chair or CEO/Chair.⁸⁸ Women on European boards are over-represented amongst employee representatives (31 %). They are under-represented amongst executive directorships.⁸⁹

2.3 Gender Discrimination: Explanations in Economics

2.3.1 *Rationalization of Differential Treatment: Taste for Discrimination*

2.3.1.1 Becker: Economics of Discrimination

Becker in an early dealing with discrimination on the labour market defines discrimination as differential treatment on the grounds of “non-pecuniary considerations”. While Becker focuses on the discrimination of “non-whites”, he notes similar dynamics apply to other forms of structural discrimination including gender

⁸³ Oakley (2000), p 330.

⁸⁴ EuropeanPWN (2008).

⁸⁵ Ibid.

⁸⁶ Ibid.

⁸⁷ Bilimoria and Piderit (1994).

⁸⁸ Ana Patricia Botin, Executive Chair for Banesto, Spain; Benedicte Schilbred, Chair (shareholders responsibility) for DnB NOR, Norway; Nancy McKinstry CEO/Chair for Wolters Kluwer, The Netherlands. EuropeanPWN (2008).

⁸⁹ Ibid.

discrimination.⁹⁰ Becker views discrimination essentially as the enactment of economic actors' preferences in the market for collaborations and employment. Certain actors prefer not to interact with members of "disliked" groups even if this avoidance will incur costs for them.⁹¹ Aside employers, colleagues, consumers or trade union representatives can lack of taste for professional interaction with members of a disliked group. These actors with dislike for certain groups of workers collude to systematically exclude those from the more favorable treatment preferred groups enjoy.⁹² Becker explains the underlying "non-rational" reason for the avoidance of professional interaction with disliked individuals is "psychic costs" associated with said contact. An economically sound personnel decision would require the person with the more favorable marginal benefit and cost relation to be employed or promoted. Because of "psychic" discomfort associated with disliked groups, the employer with a "taste for discrimination" will, first of all, strive not to employ or promote members of these groups. If they are nevertheless employed, the employer will discount their wage by a discrimination coefficient, the deduction for the "discomfort" connected to employing them.⁹³ An employment equilibrium in the absence of discrimination is thus shifted⁹⁴ causing differing employment outcomes for principally equally productive whites and non-whites. The discriminated applicant evidently suffers income losses through a salary offer dependent on applicant race, not individual productivity. Becker's contribution to an understanding of the economics of discrimination is that the discriminator pays as well. By paying and recruiting not in conformance with productivity, but taste, employers end up with an oversupply of an overpaid, irrationally preferred fragment of the workforce. By dislike alone, workforce whose employment opportunities are constrained and whose labour is cheaper than it would be in the equilibrium is underutilized. In short, the organization operates on suboptimal human resource utilization.⁹⁵

A related idea not explored in detail by Becker in this context is the discriminating buyer or consumer. Such a buyer is driven by "psychic cost" when faced with disliked suppliers. Decisions are likely grounded on bias regarding the disliked individual's skill. Female pilots or car mechanics may face distrust in the provision of their service,⁹⁶ same as male kindergarten teachers or healthcare personnel, who

⁹⁰ Becker, "The Economics of Discrimination" (1971), p 101ff; Figart and Mutari (2005), p 475.

⁹¹ Levitt (2004), p 431.

⁹² Ibid, p 62ff.

⁹³ Ibid, p 153.

⁹⁴ Ibid, p 39ff.

⁹⁵ Hellerstein et al. (2002), p 355ff.

⁹⁶ A Swedish study accompanied a firm's change process from stereotypical division of tasks in the maintenance of its apartment buildings, where female employees started out cleaning houses while male employees engaged in gardening and reparation of facilities. Due to sick leave costs spiralling out of control for the cleaning personnel, the company restructured tasks to divide the straining cleaning tasks on all employees rather than to overstrain half of them. Consequentially, the former cleaning ladies also overtook repair works of technical facilities—met with major

may be rejected based on their gender as a factor eliciting dislike despite their qualification. Considerations of best supply offer are in such a case defeated on the buyer's side, causing him or her to pay a premium for services provided by suppliers preferred for not task-related reasons. Discriminated suppliers of goods or services at the same time suffer decreased income opportunities, which leads to a lose/lose situation for all participating parties.

Becker suggests competition should cure in the long run, for the market is expected to work against (irrationally) discriminatory employment patterns.⁹⁷ If individuals are under-paid and under-utilized compared to their factual productivity, relatively cheap discriminated workers will become a desired scarce resource. This will empower them to consecutively negotiate higher wages, or the hitherto privileged group will have to lower their wage demands to remain competitive.⁹⁸ In the process, employers with weaker discriminatory taste—hence with lower psychic inhibitions to employ the disliked individuals—should be able to capitalize on relatively lower labor costs at equal productivity and tolerable psychic cost. They would in the long run drive discriminators out of the market, or force them to adjust their personnel policies.

It should be noted this argument carried greater weight in the specific political, economic and social context of the 1950s in the USA than today.⁹⁹ The idea to legitimately pay non-whites less than whites for equal work as HR policy predates equal opportunity legislation. Altered circumstances in the political and legal environment defeat Becker's argument in part. If lower pay to compensate for dislike of certain group members is illegal, dislike is not easily defeated through market forces via labor cost advantages.

2.3.1.2 Critique

Different employment outcomes of preferred and disliked groups persist over time, with no sign of market forces solving the issue. Economists therefore suggested not discrimination, but unobserved productivity differences of members of both groups may be the root cause for different employment outcomes, not a "taste" for discrimination as proposed by Becker.¹⁰⁰ Becker rejects this argument as a "misinterpretation" of his theory and denies his theory implies competition would automatically end discrimination in the long run. He considers discrimination by fellow workers, consumers and society as a whole "far more important" than employer discrimination, and suggests discrimination by peers may have as a

suspicion and mistrust by the tenants, many of whom wanted to know "where is the real repairman?". See in detail: Johansson (1998), p 54.

⁹⁷ Hellerstein et al. (2002), p 355f.

⁹⁸ Dijkstra, "Gender and Economics" (1997), p 46f.

⁹⁹ Figart and Mutari (2005), p 475.

¹⁰⁰ Hellerstein et al. (2002), p 354.

consequence that employers are forced to segregate women and men within employment.¹⁰¹

An aspect of Becker's theory that has been much discussed is the argument the discriminator also pays,¹⁰² and another absolutely fundamental aspect remains in the background: Discrimination according to Becker is grounded in "taste" and "dislike". Consequently, at the root of the issue lies a "non-pecuniary" depreciation of certain individuals due to group membership that clouds professional decision-making. In its essence, Becker framed discriminatory behaviour as an oftentimes counter-economic and counter-rational endeavour.

Empirical observations from the social and psychological sciences showed decades after Becker preconceptions implicit associations and stereotypes attached to members of depreciated social groups are in fact deeply rooted and widely shared within a societal context.

2.3.2 Rationalization of Differential Treatment: Gendered Reproductive Roles

2.3.2.1 Human Capital Theory

A classical economic explanation for the achievement differential in career success between women and men is human capital theory. According to the theory, the gender differential in professional success is not a result of discrimination. Instead, it is a result of a rational assessment of future employment productivity anticipated by employers. Productivity on the job is determined by investment in relevant human capital. Human capital can be built by the employee through education, or by the employer through provision of training. A person's human capital essentially is the cumulation of cognitive and productive capabilities through skills, education, and experience. Human capital holds the potential of benefitting both the individual and the organization.¹⁰³ Options for creating or enhancing said capital include formal education, the number and quality of completed higher educational programs, the years of "uninterrupted" experience on the job,¹⁰⁴ and job-related training. From an employer perspective, decisions on whose human capital to develop within an organization or team are made on grounds of perceived talent and potential, but also based on predictions of maximized worker utility. Human capital theory postulates individuals that are principally equal in utility from a talent perspective may differ in predictions of their total future utility as employees.

¹⁰¹ Dijkstra (1997), p 46.

¹⁰² Zellner (1972), p 157ff; Donohue (1986), http://works.bepress.com/john_donohue/48/; Figart and Mutari (2005), p 475ff.

¹⁰³ Terjesen et al. (2009), p 322.

¹⁰⁴ Schubert (1993), p 22ff.

Differences in predicted productivity may arise due to gendered social roles. Women, in contrast to men, face a choice of spending their time and energy on reproductive work outside of the market for paid labour. Employers who are aware women have an alternative way to spend time and energy anticipate women to leave the workforce. Hence, the balance on whom to spend resources is tipped in favor of male candidates in a multiple-period model of employer's job assignment decisions:

In period one, two individuals, one woman, one man, are assessed for their suitability for future assignments, a suitability that is assumed to be perfectly revealed in one time period on the job. Before handing out either assignment A and B—A being more challenging, productive and well-paid, requiring also greater human capital investment—to either of the two individual employees for subsequent period two, the employer will consider the individuals' assessed suitability from period one and the forecast of their potential departure from the job before period three as an additional criterion. Supposing both candidates exceed a minimum threshold of talent and none is ahead of the other, the employer will strive to maximize worker utility post-human capital investment. An efficient promotion scheme therefore will give preference to the candidate less likely to leave the job in period three if both are equally suitable, as this will maximize utility from the human capital investment. If women as a group more than men have the option to “productively spend time at home” in recreation and family work,¹⁰⁵ the economic decision-maker will assess the risk of an individual woman to leave the job before period three higher than an individual man's. The threshold of suitability for promoting a woman (charging her with the more challenging assignment) will hence be higher than for a male competitor. The utility-maximizing employer will only promote the female candidate if she exceeds not only the initial threshold ability to perform assignment A, but also her male competitor's ability to such an extent that the greater risk of costs attached to her potential departure in period three is surpassed.¹⁰⁶

Human capital theory relies on the assumption women are more likely than men to leave paid labour for family work. It essentially postulates women as a group tend to “specialize” in household production due to their “biological function of childbearing”¹⁰⁷ and hence work in the labor market more intermittently than men. As a group, they thus accumulate less professional experience and job tenure than men. Disposing of lower human capital due to neglected opportunities to invest into their human capital, they turn out *less* productive than their male counterparts. This theory draws different conclusions than Becker: While the former sees initial differential treatment in recruitment of equally qualified individuals grounded in employer “liking”, human capital theory rationalizes differential treatment by

¹⁰⁵ Paulson Gjerde (2002), p 447ff.

¹⁰⁶ Ibid.

¹⁰⁷ Ellison (2001), p 266f.

drawing from candidates' likelihood of continuous employment, which is seen as a proxy for an individual's total human capital.

2.3.2.2 Statistical Discrimination

The theory on statistical discrimination against women similarly rationalizes discriminatory employer decisions. Employers are thought to have at disposal several proxies for candidate capabilities including educational attainments and past experience. Yet the information at hand is imperfect for employer choices in recruitment and promotion matters. Information on past achievements does not accurately reflect the actual productivity an applicant will deliver, nor the period of time the candidate will stay with the firm. In the screening process, employers face substantial hiring and training costs, and strive to avoid costly mistakes. Risk-averse employers therefore take into account available statistics on average productivity for candidate pools.¹⁰⁸ If women are "less qualified, reliable", or less available in the long-term *on average* than men, employers will "rationally expect" to be better off with the otherwise equally qualified male candidate, future productivity-wise.¹⁰⁹ Essentially, statistics are used to detect trends of "stable" versus "unstable" employees. Investment in the more "stable" candidates incurs less uncertainty and risk, and is expected to pay off disproportionately overall. As a consequence, observationally equivalent members of different groups will receive different contracts.¹¹⁰

2.3.2.3 Critique

This utilization of existing statistical information on group members' behavior is problematic in many ways. Firstly and most obviously, women as a group are extremely diverse. They make up the majority of the world's population and about half the workforce in developed countries. Differences in family planning, household organization and work-life balance within this extremely large group on the labor market have to be expected and accounted for. It is especially problematic from a profit-maximizing perspective to overly simplify and generalize the image of "the woman" in employment. Women have shown pronounced progress in developing their human capital for the labor market over the past decades, and their attachment to paid employment has undergone noticeable change since the 1970s and 1980s when the theories in question were developed.¹¹¹ Especially highly educated and professional women are married to a lesser degree than their

¹⁰⁸ Phelps (1972), p 659 ff. Aigner and Cain (1977), p 175; Bielby and Baron (1986), p 759ff.

¹⁰⁹ Olson (1990), p 161f.

¹¹⁰ Leblanc (1995), p 703.

¹¹¹ Metcalfe and Dick (2007), p 393f.

male peers, remain childless more often and tend to return to the workplace soon after childbirth.¹¹² Lengthy and costly human capital accumulation through higher education and several years in the profession may serve as signals of above-average commitment to paid employment. Especially time-consuming or industry-specific investments could work as signals for a commitment to long-term employment and career development, and provide a counter-weight to statistical average information on human capital, likelihood of career interruption and average productivity in order to lessen oversimplification and overgeneralization. Alas, the particularities of well-educated and professional women's situation are under-considered in the existing theories. Statistical discrimination and human capital theories also fail to take into account other sources for early contract termination aside women's childcare leave. Statistical information on other factors to leave an employer aside family responsibilities—exit due to superior offers, career ambition, low loyalty on the side of candidates come to mind—time periods are not taken into account. A number of empirical studies have actually empirically found professional women to be more organizationally committed—"loyal"—than their male peers.¹¹³ The underlying assumption that women are more likely than men to permanently or in the short term leave their employer hence appears flawed or at least incomplete.

Secondly, statistical discrimination theory superficially offers an explanation of discrimination. What it neglects to account for is it implies also a circular argument. If employers shy away from human capital investment in "riskier" individuals like women based on average expectations, said group's average productivity will be also directly determined by lower offers of training and development, different contracts and unstable positions offered. Under-development in the professional sphere due to expectations of a statistical "average" women might lower job satisfaction of above-average women, and consequentially directly influence unstable working patterns of the under-challenged group. Above-average motivated individuals might perceive incentives to leave the workforce for family work not because of original intentions, but as a reaction to sub-optimal development and working conditions based on average group member assessment. Such a circular pattern might seemingly confirm pre-conceived notions of women's "lower

¹¹² Amongst women executives in the Fortune 1000 women executives, the number of managerial women without care responsibilities for children is close to half of the sample (Catalyst, "Women in US Corporate Leadership: 2003" (2003), p 3, <http://www.catalyst.org/publication/93/women-in-us-corporate-leadership-2003>). Male managers are three times more likely to have children than female peers; 58 % of female, but 93 % of male managers are married (Davidson and Burke 2000, p 17; Olson, p 163). Childlessness rates in Germany, for example, have doubled within a generation: 20 % of all German women under the age of 40 are childless, but 50 % of German university graduates are at the same time (Antal and Krebsbacher-Gnath 1993, p 56.; Welt Online Politik, "Studie: Immer mehr deutsche Frauen bleiben kinderlos" (More and more German women remain childless"), <http://www.welt.de/politik/deutschland/article4216876/Immer-mehr-deutsche-Frauen-bleiben-kinderlos.html>

¹¹³ Metcalfe and Dick (2007), p 393.

reliability” as employees, based on which future employment decisions will again be made.

2.3.3 Rationalization of Differential Treatment: Rational Bias

The theory on rational bias considers individual decision-makers need not always act on their own impulse or assessment to discriminate, but may comply with powerful others’ tastes, assessments and preferences. The individual decision-maker charged with recruitment, promotion or assignment might accurately assess a person’s suitability and performance, as well as potential. The decision-maker might as well trust these candidates’ commitment to the organization and intention to remain in paid employment, and not personally dispose of dislikes against the social group the talents belong to. Still, situational factors may provide incentives to participate in, and thus perpetuate, discrimination. Individual recruiters or promoters are faced with their own supervisors’ benevolence and satisfaction with their work. They might foresee or perceive structural constraints not to promote stereotyped groups’ members beyond a glass ceiling. Rational bias theory suggests non-discriminating decision-makers with no inner inclination may still do so because they may perceive it to be in their individual best interest. Their own reputation and career development may be linked to their ability to comply with superior, client or other key stakeholder expectations on the job. Such complying behaviour then ensures their careers remain en route.¹¹⁴ Personnel decisions regarding stereotyped groups like women may be affected by actual and by anticipated biases held by important others. Decision-makers may face incentives to want to “play it safe”, and rather not pursue an overt equal opportunity agenda, which might meet unfavorable reception by powerful superiors.¹¹⁵

It is thus suggested principally unbiased—or indifferent—individuals may show a tendency to adapt to what they believe is an organizational or professional norm they ought to adhere to for their own advantage.¹¹⁶ They thus aim at assuring positive and minimizing adverse outcomes for their own advancement through gender discrimination.¹¹⁷ An important implication of the theory is rationally motivated, personally unbiased discriminators would refrain from their behavior once they perceived credible signals by “important others” equal opportunity would be a requirement for career advancement or cooperation. They would be principally willing to provide for equal opportunity if they perceived more advantages for themselves in pursuing non-discrimination than in complying with perceived or

¹¹⁴ Sz wajkowski and Larwood (1991), p 518.

¹¹⁵ Ibid, p 508.

¹¹⁶ Ibid, p 520.

¹¹⁷ Ibid, p 516.

actual climates of socio-demographic filtering of talent on the way up the career ladder. Conversely, discrimination according to rational bias theory will persist as long as equal opportunity for women and members of other marginalized groups are not high-priority issues on corporate agendas, are not backed by genuine top management support, and are not part of middle and senior managers' individual performance assessment.

2.3.4 Rationalization of the Status Quo: Pipeline Theory

For the sake of completeness, a much propagated theory in the 1980s suggested—along the lines of Becker's competition hypothesis—once the talent pipeline to the executive suite would be filled with a critical mass of women, dams would break and change would come about quasi-automatically. Like human capital theory, the suggested explanation for achievement differentials in career outcome between women and men was attributed to candidate traits rather than discrimination. Not enough women disposed of the right skills, education and experience—at the time. The pipeline theory has been identified as a flawed proposition already in the late 1980s: By that time, about 15 % of top management positions would have had to be held by women measured by their share in the pipeline to the top. Faced with sustained “conspicuous” absence at the top,¹¹⁸ it was then suggested the pipeline had been adequately filled, but it had been “leaking” female talent disproportionately.¹¹⁹ The leaking pipeline has since become a metaphor used for the disproportionate loss of women along the career path in science and technology, academia, and in managerial fields.¹²⁰

The pipeline theory limits itself to the need for lapse of time as both explanation and solution to women's low representation in top positions. Pipeline theory does not consider gendered working conditions professionals face already at the entry-level,¹²¹ nor does it include the perspective of employer responsibility in the recognition and development of talent.¹²² For its lack of explanatory power since the pipeline has become “filled” with a critical mass of suitable women, the pipeline theory has lost much of its initial appeal.

¹¹⁸ Heilman, p 877f.

¹¹⁹ Barinaga (1992), p 1366f.

¹²⁰ European Commission (2009), “Women in Science and Technology: Creating Sustainable Careers”; Michie and Nelson (2006), p 10ff.

¹²¹ Korac-Kakabadse (2001), 104ff.

¹²² Burke (1994), p 3ff.

2.4 Lessons from Economic Theory

Existing theories do not adequately explain the continuous differences in the selection into leadership positions of female professionals and academics of corporate, public or academic hierarchies. There is widespread consensus the descriptive approach to women in management has been over-utilized to the disadvantage of theory-driven empirical research.¹²³ Existing theoretical explanations for gender discrimination have provided important aspects, which have so far been contemplated in isolation from each other. Due to the original publication dates of these contributions the political, economic, legal and social contexts have in part changed quite drastically. Renewed attempts to grasp the issue of gender discrimination within organizations and institutions can therefore meaningfully re-frame, combine and hopefully advance the following aspects in a contemporary integrative approach: Becker originally presented the idea the root of discrimination is not rationality, but a notion of “dislike”, which causes the social exclusion of undesired peers. In line with this thought, research of the past two decades on adverse prejudicial attitudes, negative perceptions and beliefs from the psychological and social sciences should be included in contemporary efforts to explain sustained gender discrimination. The idea of discrimination used in this work will focus on subtler forms of modern gender discrimination than blatant sexism. Various pervasive forms of gender bias of overt and covert nature in recruitment, promotion and assignment shall receive increased attention. Decision-maker self-interest in discrimination has not been sufficiently considered so far. Further developing the thought of rational bias, context conditions in which decision-makers may be tempted to pursue their own rational interest through discriminatory selection practices will be presented. A perspective of potential divergence of decision-maker and organizational interests has not yet been proposed for a study of discriminatory or otherwise unethical behaviours. Previously, economists have suggested it might be rational for employers to sort individuals in the workforce according to available statistical information related to the social group they belong to. This neglects the impact of legal frameworks. Most legal orders, especially constitutions of Western democracies, outlaw such behavior. Context conditions set by the legal framework and considerations of ethical or moral values as part of a CSR discourse are so far absent from updated thoughts of discrimination and its persistence in the workplace.

¹²³ Davidson and Burke (2000), p 156ff.

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