WOMEN ON BOARD AND GENDER EQUALITY

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ABSTRACT

Gender equality is a crucial aspect of corporate governance. In that context, it is interesting to assess how women fare on the company boards. In a recent survey, India stood 12th in terms of women members on the management boards. The related statistics is far from satisfactory. The workforce participation rate of women is also dismal. Only 25% of women, compared with 82% of men, engage actively in the labor market which is one of the lowest participation rates in the world. To bridge the gender gap, the country's education system must be overhauled to develop confidence in girls so they become assertive when they are employed. Firms must ensure that their recruitment pool represents gender equality which they want to target.

Keywords: *women on board, gender equality, gender gap, workforce participation*

Introduction

Gender equality is a crucial aspect of corporate governance. In that context, it is interesting to see how women fare on the company boards. It is even more important to see this aspect in case of India, which lags other developed economies, in terms of economical and social indicators. Below are the highlights from a recent survey (Economic Times, 2020).

1) With more and more firms across the country realizing the importance of gender equality, a recent study has found that India ranks twelfth worldwide in terms of women member presence on management board. According to the study 'Women On Board 2020' conducted by a worldwide hiring platform MyHiringClub.com and Sarkari-Naukri.info, India has stood 12th globally in terms of women member presence on the management board.

2) This research was carried out online for a total of 7,824 listed firms in 36 nations, including India. In India, 628 listed companies participated in this research. The study found that among these 628 listed firms, 55% have women directors, and that is 14% more than last year. Summarily, it revealed that women's director on board percentage is 14.87%, which is more than double as compared to the previous two years. Among them, 29% of the boards have 2 women directors, 63% of these boards have only one-woman director each, it said.

3) The average life of male directors on the board in India is around 3 years, which is more than their women counterpart while worldwide it is just about two years, it said. Further, it revealed that the difference between the max. board tenure of men and women directors is very huge, with 46% fairer sex been a director for less than one year. Around 54% of Asian employees and 39% in India are women, however, only a fraction of that makes it to middle & senior management.

4) According to the findings, Norway continued to top the list with 40.72% women on board, followed by Sweden with 30.84%, Finland 29.91%, Germany 29.70%, South Africa 19.84% and the US 20.41%.

Literature Review

There is ample research on the topic of Women on Boards. Below are a few abstracts from the recent literature.

Seierstad et al. (2017), have posited that, understanding the spread of national public policies to build the level of women on boards is often introduced utilizing various sorts of institutional theory logic. In this article, we look beyond the institutional setting by zeroing in on the role of actors. We investigate measures that incorporate who the critical actors that drive and decide these policies are, and what propels them to push for change. We utilize a processual design approach utilizing a longitudinal country comparative case study investigating the case of Norway, England, Germany and Italy. We map the political games, both inside and outside legislative areas, including the micro politics among different actors and gatherings of actors in the selected nations. Information is gathered through participation observations, interviews and text analyses. The investigation contributes by filling significant gaps in the writing by embedding the discussion about women on boards in politicking and national public policies and by introducing dynamic perspectives.

Fan et al. (2019), have argued that, we analyze how women on boards influence bank earnings management. Using the probability of a board selecting women directors dependent on a Blau index of gender diversity in each director's total employment connections outside our example banks for identification, we track down an inverted U-shaped relation between women on boards and bank earnings management. In particular, when there exists only a marginal number of women directors, banks are more prone to manipulate earnings. But, when the number of women directors reaches three or more, bank earnings management decreases. This inverted U-shaped effect is escalated if women sit on audit or nomination committees, is moderated if women directors have advanced education levels and more board insight, and is unchanged during the 2007–2009 monetary emergency.

Ionascu et al. (2018), have opined that, this paper examines the association between gender diversity on corporate boards and firm performance for an European emerging business sector, which falls behind as far as both corporate governance quality and social cohesion indicators. By and large, diversity has no significant impact on firm-performance. Nonetheless, in light of a sub-example analysis, results show a robust association in the case of profit firms and those listed on the Standard tier. By and large, the paper concludes that, in the context of an emerging business sector, policies pointed toward increasing gender diversity in the boards seem, by all accounts, to be financially practical and even useful for the major part of listed organizations, balancing successfully the social cohesion and economic components of sustainable development.

According to Hollindale et al. (2019), we apply institutional and board capital theory to examine whether women on boards are associated with disclosure and quality of corporate greenhouse gas (GHG) emissions related reporting. We examine the research issue in Australia in a period when no requirements existed for listed companies to appoint female directors or to report GHG emissions. This environment allows us to examine the association between women on boards and GHG emissions related disclosure in annual and sustainability reports in a voluntary setting. We find that companies with multiple female directors make GHG emissions related disclosures that are of higher quality.

According to Smith and Parrotta (2018), this paper analyzes the determinants of women's representation on boards of directors based on a panel of all privately owned or listed Danish firms with at least 50 representatives saw during the period 1998–2010. We focus on the directors who are not chosen by the workers and test three hypotheses on female board representation that we signify the female led hypothesis, the tokenism hypothesis, and the pipeline hypothesis, individually. We find proof rejecting the female-led hypothesis. Firms with a female chairperson on the board of directors will in general have significantly less other non-worker chose female board individuals. We also find clear proof of a tokenism behavior in Danish companies. The probability of enlarging the share of non-worker chose female board individuals is significantly smaller in the event that one, two, or more women have sat on the board of directors. Finally, the pipeline hypothesis is partly confirmed. The relation between the female pipeline of potentially qualified directors and female directors is weaker than the similar relation for males.

Moreover, Nadeem et al. (2019), Charumathi and Rahman (2019) and Ramly et al. (2017), have dealt with various aspects of women on boards.

The Situation in India

Be it senior leadership roles, on the management boards of firms or in the labor force, Indian women representation is dismal despite high literacy rate (Annapurani, 2020).

Almost a year back, the Kotak Committee had recommended to have at least one woman as an independent director on the management boards of the top 500 firms based on market cap. However, according to nseinfobase.com, 44 firms are yet to meet the condition, and of which 34 are Nifty-500 firms. For the top 1,000 listed companies based on market cap, 150 do not have a woman independent director on their management boards yet.

At a junior level, a lot of companies have relatively a very good gender equality, but up the ladder, it is highly skewed in favor of men. According to data, from the World Economic Forum, only 8.9% of firms in India have female managers. The estimated earned income for women in India is a mere 20% of the male income. Women account for only 14% of leadership roles and 30% of professional and technical workers, as per the World Economic Forum. Moreover, the work participation rate of women is also dismal. Only 25% of women, compared with 82% of men, engage actively in the labor market which is one of the lowest participation rates in the world.

On the flip side, the literacy rate gap between women and men is narrowing in the past decade. So, this poor labor force participation numbers for women are despite their high enrolment rates - in primary (93%), secondary (62.4%) and tertiary (29.1%) education levels. Interestingly, women share in all the three categories is higher than men.

To bridge the gap, the country’s education system must look beyond textbooks and develop confidence in girls so they become assertive when they are employed. Firms need to recognize that women are different and possess a different set of biological & physiological needs. They must ensure that their recruitment pool represents gender equality they want to target. The whole notion of diversity & diversity related orientation and diversity related training needs to imparted to the men in the firms.

Conclusion

Gender equality is a crucial aspect of corporate governance. In that context, it is interesting to assess how women fare on the company boards. In a recent survey, India stood 12th in terms of women members on the management boards. Even though India did better than the past few years, the statistics pertaining to women is far from satisfactory. The Kotak Committee had recommended to have at least one woman as an independent director on the management boards of the top 500 firms based on market cap, however 44 firms are yet to comply.

Even though, at the junior levels, the gender equality is satisfactory, at higher levels it becomes highly skewed. Moreover, the work participation rate of women is also dismal. Only 25% of women, compared with 82% of men, engage actively in the labor market which is one of the lowest participation rates in the world.

On the flip side, women outperform men in terms of literacy rates at primary, secondary and tertiary levels. To bridge the gender gap, the country’s education system must be overhauled to develop confidence in girls so they become assertive when they are employed. Firms must ensure that their recruitment pool represents gender equality which they want to target. Men, on the other hand, need to be trained on various aspects of diversity.

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