

10 February 2017

Senate Finance and Public Administration Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: fpa.sen@aph.gov.au

Dear Secretary

Re: Gender segregation in the workplace and its impact on women's economic equality

The Australian Institute of Company Directors (AICD) is pleased to provide a submission in response to the Finance and Public Administration References Committee inquiry into gender segregation in the workplace and its impact on women's economic security.

The AICD is committed to excellence in governance. We make a positive impact on society and the economy through governance education, director development and advocacy. Our membership of almost 40,000 includes directors and senior leaders from business, government and the not-for-profit (NFP) sectors.

The AICD is supportive of policies and initiatives that promote female participation in the workforce, particularly in senior management, executive roles and non-executive directorships where women are represented in disproportionately low numbers. The AICD has been a leader in promoting gender diversity since 2009 when we first announced measures aimed at highlighting the value of board diversity, and increasing the representation of women on boards in Australia.

Female representation on listed boards

ASX 200 boards currently comprise of 25.3% female directors (31 December 2016).¹ This is an increase from 8.3% in 2009 when the AICD first began collecting statistics as part of its focus on improving gender diversity on boards.

In April 2015 the AICD called for all boards, with particular emphasis on ASX 200 companies, to meet a target of 30% female directors by the end of 2018. A month later the Australian chapter of the 30% Club was launched. The 30% Club is a global movement that brings together the investor community, executive search consultants, senior directors and educators to ensure that change occurs at all levels and is seen as an important aspect of board effectiveness. The AICD acts as the secretariat for the Australian 30% Club.

¹ AICD 2016, available at: <http://aicd.companydirectors.com.au/advocacy/board-diversity/statistics>

AUSTRALIAN INSTITUTE of COMPANY DIRECTORS

The 30% Club and the AICD are working together to support companies achieve the 30% target and improve gender diversity in Australian boardrooms. As newly available board roles arise in the ASX 200, they are being filled by female directors at a rate of 40% (appointment rate). At this rate, the overall 30% target will be met by the end of 2018.

In targeting Australia's largest companies, it is the AICD's aim that they provide an example to other organisations seeking to increase the diversity of their boards. Australia's largest company boards have the resources available to them to attract the best possible candidates of both genders. If they do not achieve the target then our concern is that listed boards outside the ASX 200 and those in other sectors will perceive diversity as something difficult to implement and not strategically important. If momentum can be created in the ASX 200 then it is more likely to filter through to other organisations.

Barriers to women's participation in the boardroom

The AICD and 30% Club are acutely aware of the continued discrimination women experience at all levels of the Australian workplace. In 2016, the 30% Club released a publication on the *Barriers to Progression: The reasons Chairs and Non-Executive Directors (NEDs) use as to why they can't or won't appoint female directors to their boards*. This booklet was compiled with the help of a 30% Club working group, and other female non-executive directors, based on conversations held with listed company chairs and non-executive directors during their careers. Reasons mentioned were the lack of capability of female directors, their disruptive style and behaviour and negative impact to their businesses.² Each reason appears to demonstrate a conscious or unconscious bias against female appointments.

Women may also experience barriers in the recruitment and appointment process if an adequate number of female directors are not included on long and short lists of candidates provided to boards, or if only traditional networks are used. When hiring, organisations and executive search consultants are encouraged to seek out and include qualified female candidates on their search lists and subsequently articulate their value to the chair relevant board committee. SpencerStuart, in its 2016 Global Board Directors Survey notes that "Male directors, especially older respondents, report the "lack of qualified female candidates," while women directors most often cite the fact that diversity is not a priority in board recruiting and that traditional networks tend to be male-dominated."³

Active intervention needed

Women have been actively participating in public and private organisations for decades, yet their representation in senior executive and board positions is still vastly disproportionate to men. This is not a reflection of the available talent pool. Australian female graduates currently outnumber males at record levels. Of all women aged 25-29, 39.6% have achieved a bachelor degree or above, compared to 30.4% of men of the same age bracket.⁴

Active intervention is required to achieve long-lasting and sustainable change. The AICD does this through significant advocacy efforts, the monitoring and transparent reporting of ASX 200 statistics, development programs for women, and strong media engagement. As

² 30% Club 2016, available at: https://30percentclub.org/assets/uploads/barriers_to_progression.pdf

³ SpencerStuart 2016, available at: <https://www.spencerstuart.com/research-and-insight/2016-global-board-of-directors-survey>

⁴ Australian Government WGEA 2016, available at: https://www.wgea.gov.au/sites/default/files/Stats_at_a_Glance.pdf

AUSTRALIAN INSTITUTE of COMPANY DIRECTORS

an initiative to encourage progress at the board level, all ASX 200 chairs have been invited to become members of the 30% Club and commit to achieving the 30% target by the end of 2018. 81 chairs have currently made this commitment.⁵ Focusing on individuals that can influence the ability of women to participate and provide access to opportunities is an effective strategy in achieving short-term change.

To achieve long-term change, organisations need to ensure structural and attitudinal impediments are removed at every level and diversity, not just in terms of gender, but also experience, background and education, should be encouraged and promoted.

Professional development and director education form a core part of an individual's ability to contribute effectively to a board. Since 2010 the AICD has partnered with the Federal Government to offer over 330 scholarships – to complete formal AICD governance education programs such as the Company Directors Course – to current and emerging female directors and executives. Scholarships have been awarded to women living in rural and remote areas, from culturally and linguistically diverse backgrounds and working in sectors that are the future industries of our economy. Education has the potential to instil confidence, raise skill levels, and provide access to networks and enable individuals to take on new opportunities. The AICD is committed to working with Federal and State Governments on developing effective scholarship programs for women. The Committee may wish to consider recommending further targeted scholarship programs in light of the role boards play in delivering outcomes for women in organisations they oversee.

The role of boards in improving outcomes

Boards play a pivotal role in creating an inclusive organisational culture and ensuring gender balance within their organisations. The 30% Club has recently conducted interviews with the chairs of ASX 200 companies that have already achieved the 30% target for female board representation. Each chair emphasised the important role the board has in not only reflecting the values of their organisations, but in demonstrating the future expectations the board has of management. Female directors are role models for female executives and signal the opportunities available to women within their organisations. The Harvard T.H. Chan School of Public Health states:

By diversifying your board, you increase the number of potential board members, and thus increase the chances that you will end up with a board member who has the necessary skills, experience, and intelligence to make good decisions for your organization. In addition, you do more than widen the talent pool at the top of the company — you send a signal that developing women and minorities as leaders is generally important to you. This can help lead to employee diversity... Proactive hiring of women is important at all levels, but putting women on your board can set the tone for the rest of your hiring. For example, there is strong evidence of a “leaky” pipeline in scientific fields, including biotech and the pharmaceutical industry. Women receive high numbers of scientific bachelors and master’s degrees, fewer PhDs, get even fewer postdoctoral positions, and so on. One of the reasons for this pipeline is that women feel there is a gender bias in these fields, whether conscious or unconscious.⁶

⁵ 30% Club as at 9 February 2016, available at: <https://30percentclub.org/about/chapters/australia>

⁶ Harvard T.H. Chan School of Public Health, July 2016, available at: <https://www.hsph.harvard.edu/ecpe/why-diversity-matters-women-on-boards-of-directors/>

AUSTRALIAN INSTITUTE of COMPANY DIRECTORS

In 2016 the AICD partnered with Chief Executive Women (CEW) to develop a program that promotes the role of the board in influencing gender representation within organisations. The *Boards for Balance* program recommends practical actions boards can take to improve gender balance within their organisations and provides resources for boards to proactively influence effective gender reporting from their CEOs and management teams. The program focuses on key issues across leadership, governance, policies and metrics and is based on best-practice thinking drawn from interviews with senior directors committed to increasing the gender diversity of their organisations. The *Boards for Balance* program will launch in May 2017 and be accessible to all Australian boards determined to increase opportunities for women within their organisations.

The AICD recommends ensuring board directors are actively involved in conversations around gender segregation in the workplace and its impact on women's economic security. A commitment of board directors and senior executives to gender diversity can dramatically change the representation of women in senior leadership positions and in traditionally male-dominated roles. Boards can improve the working conditions of female employees by undertaking equal pay audits, enrolling senior management teams in specific training aimed at recognising and eliminating gender bias and implementing bonus structures that require managers to work towards specific gender targets.

There have also been numerous reports on the business benefits of having greater gender diversity on boards – including financial benefits. A 2015 Grant Thornton report notes that companies with diverse executive boards outperform peers run by all-male boards based on a study of listed companies in India, the UK and US. That research “estimates the opportunity cost for companies with male-only executive boards (in terms of lower returns on assets) at a staggering US\$655 billion in 2014.”⁷

Conclusion

To compete in a global economy, Australian organisations need to ensure they are providing inclusive environments for all employees. We welcome the inquiry into gender segregation in the workplace and hope to see an improvement in the representation of women in senior leadership positions and in male-dominated industries, like that seen recently in the number of women on boards in the ASX 200.

I hope this submission will be of assistance to the Committee.

Yours sincerely

Louise Petschler
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⁷ Grant Thornton 2015, available at: [http://www.grantthornton.global/en/insights/articles/diverse-boards-in-india-uk-and-us-outperform-male-only-peers-by-us\\$655bn/](http://www.grantthornton.global/en/insights/articles/diverse-boards-in-india-uk-and-us-outperform-male-only-peers-by-us$655bn/)