Why are there so few women at the top?

Submission to the Women and Equalities Select Committee

Chartered Institute of Personnel and Development (CIPD)

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Background

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

Executive Summary

- A definition to be used by both the Government and business to monitor female participation in the executive layer depends on the purpose for which the data is intended to be used.
- There would also likely be differences in definitions across private, voluntary and public sector organisations however these would still allow opportunity for measuring progress within these sectors.
- Data from the Office for National Statistics (August 2015) shows that women make up just over a third (34%) of 'Division 1' employees (those classed as Managers, Directors and Senior Officials).
- CIPD research shows that the proportion of females at Board level (23%) is half of those at senior management level (46%), indicating a strong barrier to those reaching the very top jobs.
- Existing barriers to women achieving senior positions include: perceptions about women's potential; stereotypes; an absence of role models; careers information and guidance; career breaks; caring responsibilities; full time working being the existing norm; a lack of talent spotting; and a lack of mentoring
- To achieve a step change in the number of women in executive positions, business leaders need to have this level of insight in their own organisation in terms of the workplace factors that support or inhibit female progression, and then review and amend workplace policies and practices and invest in training and leadership and management development, where necessary, to address poor or inadequate practice.
- CIPD supports the new target of increase the amount of women on FTSE350 boards to 33% by 2020. However, the CIPD has been arguing for some time that there needs to be a separate target based on the proportion of women in executive rather than non-executive positions.
- The CIPD believes, therefore, that the introduction of a compulsory quota system would not be a sustainable and long-term solution to achieving greater gender parity at the top of organisations.
- CIPD supports a voluntary approach to improving boardroom diversity, to encourage organisations to develop an appropriate and sustainable range of responses in how they develop female talent and foster cultural change.
- CIPD calls for a voluntary target of 40% of directors of FTSE 100 companies to be women and 20% of executive directors of FTSE 100 companies to be women by 2020.

Our response

> **What definition should be used by both business and Government to monitor female participation in the executive layer?**

1. Definitions cannot be considered in isolation from the purpose to which the resulting data will be used.

2. If the primary purpose of the monitoring is real-time monitoring to guide the actions of individual organisations, then it has to be a definition that organisations can apply consistently – if not across the economy, then at least within a given sector or defined collection of organisations.

3. The current structure for monitoring the gender composition of Boards for FTSE 100 and FTSE 250-listed companies distinguishes between executive and non-executive Directorships. For these large companies, it is likely that their annual reports would allow similar monitoring of the gender composition of the senior managerial committee within the business. Typically chaired by the Chief Executive, these are often called management boards, executive committees or operating committees. However, there is no suitable definition that can be applied to what is often called the "talent pipeline", in other words, the less senior positions from which the most senior managers are appointed. Each business might be able to provide its own definition of a "talent pipeline", but these would not be consistent between businesses.

4. In the voluntary sector, at least for the larger organisations, the gender composition of decision-making bodies (boards of trustees and senior executive committees) could be monitored in similar fashion to that for company boards, using annual reports as source material, although differences in governance structures might increase the complexity of the task.

5. In the public sector, different definitions would need to be applied to different areas. In government departments, data on the gender composition of the senior Civil Service is published regularly. Similar data could be produced in any part of the public sector where there is a recognisable grading structure (such as the police, armed forces or the fire service).

6. An approach along these lines would produce a patchwork of specific definitions. These could not be compared directly against one another, but change in each area could be monitored over time. Individual companies or organisations could

compare themselves against their competitors and, crucially, be held to account for their results.

What is the current situation of women in senior roles / executive positions?

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7. Official statistics provide a very broad indication of the representation of women in managerial positions. The table below provides a gender breakdown of employment in Standard Occupational Classification Division 1 (Managers, Directors and Senior Officials) in the three months April-June 2015.

Gender composition of employment in SOC Division 1, UK, April-June 2015

	% of employees who are female
1 MANAGERS, DIRECTORS AND SENIOR OFFICIALS	34%
111 Chief Executives and Senior Officials	25%
112 Production Managers and Directors	10%
113 Functional Managers and Directors	36%
115 Financial Institution Managers and Directors	39%
116 Managers and Directors in Transport and Logistics	19%
117 Senior Officers in Protective Services	17%
118 Health and Social Services Managers and Directors	70%
119 Managers and Directors in Retail and Wholesale	41%
121 Managers and Proprietors in Agriculture Related Services	24%
122 Managers and Proprietors in Hospitality and Leisure Services	41%
124 Managers and Proprietors in Health and Care Services	77%
125 Managers and Proprietors in Other Services	41%

Source: Table EMP04, ONS website, released August 2015.[1]

8. As we can see, just over a third of employees classified as managers, directors and senior officials are women, although the proportion varies considerably within the overall category with women making up the majority of "health and social services managers and directors" and "managers and proprietors in health and care services".

9. Almost two and a half million employees, 9.2% of the total, are classified as being in Division 1. This probably includes a large number of employees who might not be considered as being in senior/executive positions, such as managers of shops, garages, hairdressers, care homes and practice managers in healthcare.

10. The CIPD *Employee Outlook* survey, carried out twice a year, includes the following question for respondents: *"What level of responsibility do you hold in your current position?"* The table below provides a gender breakdown by self-reported level of responsibility by sector for the latest survey, conducted in the winter 2015/16 period.

Gender composition of employment by self-reported managerial status by sector of employment

| | % female | | | |
	Private sector	Public sector	Voluntary sector	Total
Board level (includes Chairman, CEO, Managing Director, NED, other Board level manager)	15%	*	*	23%
Senior manager	47%	*	*	46%
Middle manager	34%	38%	41%	37%
Junior manager/supervisor	42%	50%		46%
Non-managerial employees	51%	66%	64%	56%

*Where cells are marked *, the unweighted cell sizes are too small for any reliable estimate to be made.*

Source: CIPD *Employee Outlook* survey, winter 2015/16, excludes self-employed and owner/proprietors.[2]

11. It should be noted that both these data sets are based on an individual's own assessment of their status and responsibility. The proportion of employees who regard themselves as having some degree of managerial responsibility in our survey tends to be higher than some estimates derived from alternative sources,

but "level of responsibility" is itself a subjective concept. In addition, time series data from the British Social Attitudes Survey suggests that the proportion of employees with management responsibility who are women changed little between 2002 and 2013.[3] Nevertheless, the data does show that the proportion of women in the most senior roles is just half that of those describing themselves as senior managers.

What are the barriers to women achieving senior positions in organisations?

12. The progression of women to senior positions in organisations is influenced by many factors, including those set out below:

13. Perceptions about the potential of women to fulfil senior positions amongst women themselves as well as their male colleagues. These are informed by both conscious and unconscious biases. These reflect experiences and expectations about the abilities and skills needed to operate successfully at this level and the way they could be matched by women generally. The very fact that women have been under-represented at this level to date sets the bar on expectations even against increasingly wider acceptance that there should be balanced gender representation.

14. Stereotype threat can inform the way in which those women who do break through the *glass ceiling* behave. This phenomenon reinforces the male-dominated norms which influence perceptions about what it takes to be successful. It involves women 'aping' male behavioural traits to be seen to be performing well and delivering results, rather than achieving them in a way that is more natural to them. It involves a denial of identity in order to fit in and be accepted by the dominant in-group. Women in more junior positions who see women behaving like this often do not aspire to be like them because they want to be 'themselves', as opposed to a male clone. Some successful senior level women can also be seen by their more junior contemporaries as 'queen bees', who draw up the draw bridge rather than helping and mentoring female talent to follow in their success.

15. An absence of the right kind of role models can encourage women to deselect themselves from making a journey to top roles and fail to inspire them to aspire to reach for the top. Role models are important, but they must be authentic.

16. Better talent spotting in organisations and alertness to potential needs to be increasingly prevalent. This needs to embrace future predictions of what it will take to add value at senior levels in order to help organisations to survive and thrive in the longer term, and be less focused on historical requirements. This will open up

thinking about what needs to be done to 'future proof' the development of diverse talent. It will ensure women are given access to the right types of projects, challenges and opportunities to flourish and give an organisation a competitive edge in the global market place. Going forward, this focus will increasingly need to embrace characteristics such as collaborative team working, consensus in decision making and inclusive leadership, many of which are regarded to be more typical female behaviours.

17. Engaging women to focus on longer term career goals and helping them to forge ahead to senior roles needs to take account of lifestyle barriers. These compromise work / life balance, and include, for example, child care and other caring responsibilities. They interrupt career trajectories – more so for women than men – because women are more likely to be carers than men.

18. Breaks in work influence perceptions about currency of skills and capabilities and the cost implications for getting someone back up to speed.

19. The timing of taking breaks from work can have a negative effect on career trajectories and stop women from following traditional routes to senior roles.

20. Traditional full time working is still the norm and, while flexible ways of working are increasing, this is more likely to involve part time working rather than anything more creative. While social norms are evolving regarding work / life balance, as long as traditional full time working dominates, women will be more disadvantaged than their ambitious male contemporaries regarding their career path and expectations. There is still a stigma attached to 'part timers', who are seen as less committed.

21. Circumstances where career progression is based more on time served than the breadth and depth of experiences can be counter-productive to successful career progression for women.

22. Not being well-networked can stop women from *getting noticed*. Advocacy is important in achieving senior roles.

23. Lack of mentoring stops women from developing their skills and abilities in line with what is required to work at senior levels.

24. As a starting point, employers need to understand the values and working practices necessary to create inclusive organisational cultures. There is little point in starting mentoring schemes for senior women in the business, for example, if the core values of the business mean there is little respect for difference in the organisation.

25. Evidence from the Engage for Success movement suggests that four key enablers underpin cultures that foster individual employee engagement:

- Clarity and buy-in from employees over organisational purpose
- A sense of integrity reflected by the fact that people at all levels are adhering to its stated values in how they behave
- People throughout the organisation feel that they have a voice, and that their views matter and are taken into account
- Good quality line management; managers at all levels who win their people's hearts and minds

26. However, the evidence suggests that getting these people management fundamentals in place is not sufficient in itself to achieve gender equality.

27. CIPD partnered with Telefonica to produce a guide for employers on how to build their female talent pipeline. The guide, *Breaking the Boardroom*, is supported by insights from a number of interviews with senior level women in business which highlights steps organisations can take to increase gender equality at executive level.[4]

28. As a first step, the guide recommends business leaders consider the structure and make-up of their organisation and assess where its strengths and weaknesses are in terms of workplace diversity. This will help identify gender imbalances and at what levels, and in which parts of the business they are most prevalent. The assessment should use feedback from employees and other data (for example, exit interviews) to pin down if there is a specific moment or level when women tend to stop progressing and why this is happening. Finally, the evaluation should assess the workplace practices and support systems the business already has in place and seek to understand how effective employees believe they are in supporting gender equality.

29. The CIPD/Telefonica guide recommends that, equipped with this information, organisations should consider setting up a bespoke Women in Leadership programme to help potential leaders build self-confidence, increase their ability to network inside and outside the business, and to be comfortable leading as themselves and not feeling pressure to conform to an 'alpha female' stereotype. The guide recommends the use of mentors and peer-to-peer sessions as effective elements of such a programme, together with constant evaluation.

30. According to recent CIPD research, key factors in enabling female progression at work are effective training and development programmes, good quality line management, the relationships women have develop across the organisation and the provision of flexible working to help them manage caring responsibilities.[5] In terms of the factors that have prevented women from achieving their hoped for career progression, the number one obstacle was poor line management, followed by negative office politics and lack of effective training and development opportunities.

31. To achieve a step change in the number of women in executive positions, business leaders need to have this level of insight in their own organisation in terms of the workplace factors that support or inhibit female progression, and then review and amend workplace policies and practices and invest in training and leadership and management development, where necessary, to address poor or inadequate practice.

What should the Government be doing to improve the situation?

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32. The CIPD is supportive of the Mandatory Gender Pay Gap Reporting Regulations published earlier this year as a key step in helping to highlight gender pay inequality where it exists and to support efforts to increase the number of women in executive positions. We welcome the additional focus on the bonus gap and quartile salary bands set out in the recent draft regulations, and believe this more detailed analysis will help employers to build up a more meaningful understanding of where gender pay differentials lie, or are more pronounced, in the organisation.

33. We are also pleased that employers will have to publish the difference between their mean bonus payments paid to men and women and the proportion of female employees that receive a bonus.

34. However, the CIPD is against the publication of gender pay gap information being published in the form a league table and 'naming and shaming' individual employers because the publication of this information, in isolation, has the potential to be misleading. The existence of a gender pay gap will have many possible reasons that does not reflect the practices of the organisation, such as early female career choices and occupational segregation.

35. Just as important as the publication of information on the gender pay gap is the narrative that employers should be encouraged to provide in order to provide context to the information they publish. The narrative should cover the steps being taken, such as types of working practices, to improve gender equality and close pay gaps though improvements to recruitment and people management and development practices.

36. CIPD believes that the guidance to be provided by the Government on the voluntary narrative employers should be encouraged to provide alongside their published information on gender pay should include step-by-step advice for employers to help them understand the basis of their pay gap and the kind of practical measures they can take to close it.

37. The CIPD is also pleased the Government is looking build on the progress achieved by the Lord Davies review in significantly increasing the proportion of women at board level among FTSE 100 organisations since 2011 through the appointment of Sir Philip Hampton.

38. Furthermore, the CIPD supports the new target of increase the amount of women on FTSE350 boards to 33% by 2020. However, the CIPD has been arguing for some time that there needs to be a separate target based on the proportion of women in executive rather than non-executive positions, because almost all the progress in improving female representation at the top of organisations hitherto has been in non-executive director positions. CIPD has been calling for the introduction of separate voluntary target of at least 20% female executive directors among FTSE 100 firms by 2020 and believes that the next phase of the Lord Davies review should consider the introduction of such as target as a priority.

Should quotas be introduced?

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39. The proposal stemming from Brussels to impose a mandatory quota of 40% of each gender on company boards is a highly controversial issue that that has spared

fierce debate within the UK and across Europe. Supporters of the quota system argue that they are the only way to quickly and effectively overcome the existing under-representation of minorities in the workplace, while critics suggest that quotas would provide unfair advantages to the minority groups that are targeted.

40. The CIPD has undertaken extensive research on the issue of increasing gender diversity in the boardroom, including into executive positions, including evidence from our 140,000-strong membership which fully endorses the UK Government's voluntary and target-driven approach to increasing female representation. In February 2015 we published research that provides valuable insights from CIPD members about the kinds of organisational practices considered most effective to promote gender diversity in senior roles.[6] We also published, in 2015, an international literature review to evaluate the advantages and disadvantages of a mandatory quota system, such as that on the horizon in Brussels.[7]

41. Overall, our research shows that, on balance, the quick wins associated with legislating for mandatory quotas are outweighed by the potential longer-term disadvantages. Attempts to hasten change by reserving seats at the boardroom table for women could well compromise employers' engagement. This approach could even prompt a backlash for the individuals appointed if some colleagues feel that individuals of a particular gender have been appointed because of their identity, as opposed to being appointed on merit. This can have a number of unintended effects that have the potential to be severely detrimental to a workplace, including a potential backlash towards those appointed as a result of what is seen as positive discrimination. Compliance-based responses and sanctions can foster fear, risk-aversion and encourage a defensive reaction on the part of companies and their leaders. Regulatory solutions can absorb precious time and resources, and stifle the creative responses that are so vital to achieving long-term success.

42. The CIPD believes, therefore, that the introduction of a compulsory quota system would not be a sustainable and long-term solution to achieving greater gender parity at the top of organisations. We have always, and continue to, support a voluntary approach to improving boardroom diversity, to encourage organisations to develop an appropriate and sustainable range of responses in how they develop female talent and foster cultural change. This perspective is backed up by the panel of HR professionals who participated in our survey, with a firm majority telling us that voluntary approaches to setting organisational targets are more helpful than a rigid mandatory quota system. This demonstrates that simply introducing legislation that ensures a specific percentage of women are appointed to board positions will not solve the underlying reasons for failures in boardroom gender diversity.

43. Achieving long-term and sustainable change to improve the number of women on boards is not a quick fix and will not be achieved overnight by reserving a few seats at the top table. Crafting the right messages for employers about the business benefits of enhanced female representation to focus their attention on the issue is a pivotal first step. But employers also need practical guidance and encouragement to help them move forward. Unless employers start to focus on the development of a gender-balanced talent pipelines as an integrated and long-term component of a mainstream business strategy, sustainable progress will not be achieved. Our policy call, to have voluntary targets for 40% of directors of FTSE 100 companies to be women and 20% of executive directors of FTSE 100 companies to be women by 2020, have consistently emphasised that female progression to top roles is not sustainable unless organisations provide a robust framework to recruit and develop women at every stage of their career. As mentioned earlier, our own independent, evidence-led research – including feedback from our membership – fully endorses the Government's voluntary and target-driven approach to improving gender diversity in the boardroom, including in executive positions.

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